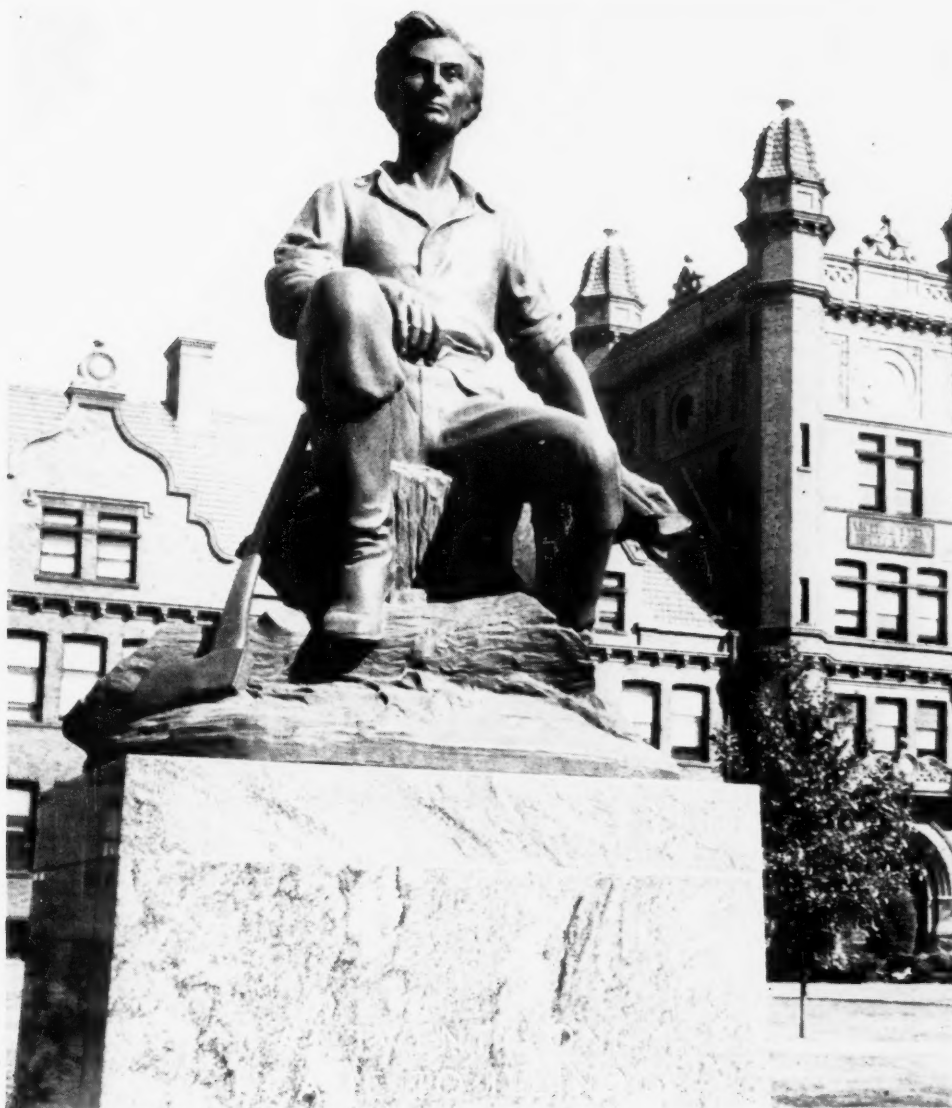




The National Insurance Buyer



LAND OF LINCOLN — Central Illinois

Photo by John Rammel

AMERICAN SOCIETY OF INSURANCE MANAGEMENT

Volume 3

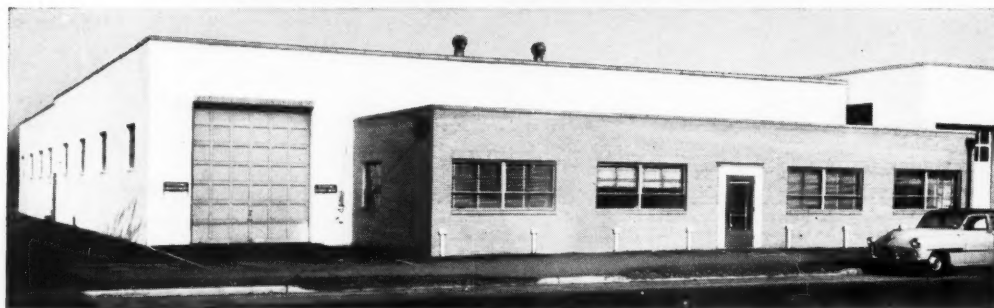
NOVEMBER 1956

Number 6

PHILAMON LABORATORIES, INC.

Westbury, L. I., New York

protects its property
Automatically...
gets better
FIRE and BURGLARY
PROTECTION and
SAVES MONEY



The precise and exacting nature of the engineering and manufacture of Philamon's tuning fork frequency standards demands extraordinary safeguards against conditions which might affect our operations. After a full year's experience with ADT, we are convinced that our new 15,000-square-foot plant enjoys maximum protection at minimum expense.

Boris F. Grile President

Philamon Laboratories, Inc., manufacturers of electronic components, is typical of the hundreds of smaller industrial plants protected automatically by ADT. A combination of Central Station Burglar Alarm, and Sprinkler Supervisory and Waterflow Alarm, protects property, profits, and employees' jobs at a lower cost than other less effective methods.

Whether your premises are new or old, sprinklered or unsprinklered, there is an appropriate ADT Fire Alarm Service to detect fire and notify the fire department

automatically. ADT Burglar Alarm Service will automatically summon police when burglars attack. ADT Heating and Industrial Process Supervision will automatically detect and report other abnormal conditions.

May we show you what ADT can do for you?

An ADT specialist will show you how combinations of automatic services can safeguard your property. Call our local sales office, or write to our Executive Offices.

Controlled Companies of

AMERICAN DISTRICT TELEGRAPH COMPANY

A NATIONWIDE ORGANIZATION

Executive Offices: 155 Sixth Avenue • New York 13, New York



**OFFICERS
AMERICAN SOCIETY OF
INSURANCE MANAGEMENT**

FRAZIER S. WILSON, President
United Air Lines, Inc.
Chicago, Illinois

JOE T. PARRETT, 1st Vice-President
Carnation Company
Los Angeles, California

H. STANLEY GOODWIN, 2nd Vice-President
McKesson & Robbins, Inc.
New York, N. Y.

RAYMOND V. BRADY, Treasurer
The Chase Manhattan Bank of N. Y.
New York, N. Y.

PETER A. BURKE
Managing Director and Secretary
New York, N. Y.

REGIONAL VICE-PRESIDENTS

R. F. BOETTCHER
Geo. A. Hormel Co.
Austin, Minn.

W. H. CLEM
Schlumberger Well Surveying Corp.
Houston, Texas

B. M. HULCHER
Southern States Cooperative
Richmond, Virginia

T. V. MURPHY
Maryland Shipbuilding & Drydock Co.
Baltimore, Maryland

MERRITT C. SCHWENK, Jr.
Fruehauf Trailer Company
Detroit, Michigan

A. G. WESTCOTT
The Union Ice Company
San Francisco, Calif.

DIRECTORS

R. E. ASPENLEITER
Chain Belt Company
Milwaukee, Wis.

C. HENRY AUSTIN
Standard Oil Company (Indiana)
Chicago, Ill.

HODGES B. CHILDS
Crown Cork & Seal Company, Inc.
Baltimore, Md.

D. L. HAIL
Pillsbury Mills, Inc.
Minneapolis, Minn.

J. DOUGLAS HANLEY
Pittsburgh Consolidation Coal Co.
Pittsburgh, Pa.

GEORGE T. HEINRICH
Caterpillar Tractor Co.
Peoria, Illinois

B. E. KELLEY
United States Plywood Corporation
New York, N. Y.

W. T. McWHORTER
The Procter & Gamble Company
Cincinnati, Ohio

WILLIAM A. MILLER
Richfield Oil Company
Los Angeles, Calif.

E. F. NEUBECKER
Burroughs Corporation
Detroit, Michigan

FRANK W. PENNARTZ
Food Fair Stores, Inc.
Philadelphia, Pa.

W. J. PRUCHA
California Packing Corporation
San Francisco, Calif.

GEORGE E. ROGERS
Robert Gair Company, Inc.
New York, N. Y.

E. C. STOKELY
Dow Chemical Company
Freeport, Texas



We Honor

Central Illinois Chapter, ASIM — one of the most staunch and progressive chapters in the American Society of Insurance Management, Inc. Strong in membership. Far-sighted in planning. Solid in achievement.

About the cover . . .

ABRAHAM LINCOLN came to central Illinois at the age of 21, and the statue on the campus in front of Millikin University, Decatur, shows him as a young man when he lived in this area. It was in central Illinois that he practised law and rode the circuit.

In This Issue

A Message from the President	3
Central Illinois Chapter, ASIM	5
The ABC's of Corporate Insurance Management	7
by G. T. Heinrich	
The Insurance Picture as Viewed from the Washington Scene	8
by A. L. Kirkpatrick	
Contractual Liability and Hold Harmless Agreements	10
by Virgil R. Howell	
Yardstick of Dishonesty Exposure	14
by George A. Conner	
The Insurance Manager's Job	20
by C. Henry Austin	
Positions Available and Personnel Available	22
Chapter Directory	23
Roster of Member Companies, ASIM	24, 25, 26, 27
List of Advertisers	48

The National Insurance Buyer, published bi-monthly as the official publication of The American Society of Insurance Management, Inc., Martinique Building, 49 West 32nd St., New York 1, N. Y. Linda Burke, Editor. Copyright 1956 by the American Society of Insurance Management, Inc. Subscription: \$5.00 a year. Advertising rates on request.

SERVICE IS OUR BUSINESS

There is a good reason why many of the country's leading corporations, in all fields of commerce and industry, buy their insurance through Johnson & Higgins. The reason is the *scope and variety of insurance services* we offer—services such as few insurance brokers in the world can provide. At J&H, we place at your company's disposal. . . .



Experts in every field of insurance . . . to help you find the most comprehensive and economical coverage in every line.

A staff of safety and fire protection engineers . . . to suggest the elimination of hazards wherever possible and, in so doing, reduce your insurance costs.

Fully-equipped claims departments . . . to assist in the adjustment and collection of claims.

Insurance rate analysts . . . to maintain continual supervision of your insurance costs.

A department of qualified actuaries and consultants . . . to assist in planning, installing and servicing your employee benefit program.

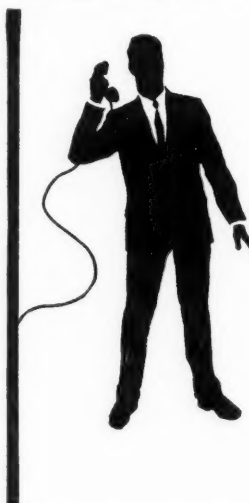
It costs no more to get the *best* insurance brokerage service. To learn more about how we can help you plan and purchase your business insurance, write or phone—a J&H representative will call at your convenience.

JOHNSON & HIGGINS

**INSURANCE BROKERS—AVERAGE ADJUSTERS
EMPLOYEE BENEFIT PLAN CONSULTANTS**

63 WALL STREET · NEW YORK 5

Chicago · San Francisco · Los Angeles · Detroit · Cleveland
Philadelphia · Pittsburgh · Buffalo · Seattle · Wilmington
Minneapolis · Atlanta · Vancouver · Winnipeg · Montreal · Toronto
Havana · London · Rio de Janeiro · Sao Paulo · Caracas



*A Message
from the
President*



On November 13, 1956, the American Society of Insurance Management, Inc. closes its fiscal year 1955-1956.

As president of the American Society of Insurance Management during that period, I thank each and every one of you for your support and cooperation. It has been a good year and one in which there has been steady and progressive growth. If I have contributed toward this growth, it is because I have had the assistance and collective action of every officer and member of ASIM.

There is much to be done. Many challenges face us. Much depends on how we meet these challenges. Therefore, let us resolve that the experiences of 1955-1956 shall comprise a bulwark for future years. Let us keep the continuity of growth and remember that a fiscal period is only a date on the calendar and the transition from one period to another should never be interrupted or broken.

By ever striving to better our insurance education, never compromising our moral code and working as an ASIM team, we will continue to increase our stature with our management, underwriters and brokers.

Again I thank you for the privilege and honor of serving you as president of the American Society of Insurance Management, Inc.

Frazier S. Wilson
President

*Chicago, Illinois
November, 1956*

EXPERIENCE...



Insuring American Industry
ROLLINS BURDICK HUNTER Co.

INSURANCE BROKERS AND AVERAGE ADJUSTERS

Principal Offices: 231 S. LaSalle St., Chicago • 116 John St., New York • Exchange Building, Seattle

Central Illinois Chapter, ASIM

by
L. Richard Flanders

The organization of the Central Illinois chapter of the American Society of Insurance Management is but a milestone in the expansion of insurance buyers' groups but is typical of the way such groups are organized. Four downstate members of the Chicago chapter felt that more Central Illinois insurance managers would benefit if there were a chapter within their area. These four men were George T. Heinrich, Caterpillar Tractor Co., Peoria; Elias W. Rolley and A. A. Baker, Funk Bros. Seed Co., Bloomington; and Ray Bass, A. E. Staley Mfg. Co., Decatur. To outline their plan for a Central Illinois Insurance Manager group these men got together and invited all interested insurance managers in Central Illinois to a meeting in April 1953 at the Caterpillar Tractor Co. in Peoria.

The idea of having an insurance managers' group in Central Illinois was so well received that an organization meeting was set for the following month in Bloomington. Twenty-five persons, representing 16 companies from Peoria, Bloomington and Decatur, met on May 12, 1953 and the Central Illinois Insurance Managers' Association was organized. Meeting dates were set for the second Thursday of each month, September through May, and the first regular meeting was held Sept. 10, 1953. The first officers of the Central Illinois Insurance Managers' Association were: Elias W. Rolley, president; George T. Heinrich, vice-president; and A. A. Baker, secretary-treasurer.

* * *

The Central Illinois Insurance Managers' Association became a Chapter of the National Insurance Buyers' Association and in May of this year the chapter's name was changed to the Central Illinois Chapter of the American Society of Insurance Management to coincide with the national organization's name.



Officers of Central Illinois Chapter, ASIM: Left to right: R. G. Tucker, A. E. Staley Manufacturing Company, Decatur, Illinois, Vice President; D. W. Covey, LeTourneau-Westinghouse Company, Peoria, Illinois, President; and K. K. Schroeder, A. E. Staley Manufacturing Company, Decatur, Illinois, Secretary-Treasurer.

Besides timely subjects and highly qualified speakers at the monthly meetings, some of the highlights of the chapter during the year are the annual Christmas party honoring the wives and the Annual Insurance Seminar co-sponsored by the Chapter and Illinois Wesleyan University, Bloomington.

The first insurance seminar was held in April 1955 drawing insurance managers from Central Illinois, Chicago and Iowa, and was so successful it was decided that an annual seminar would be one of the main projects of the year. Last April a second insurance seminar was held and there were 86 persons present. The Central Illinois chapter and the seminar are so well recognized by insurance agents and brokers that 12 area insurance company agencies and brokers sent one or more representatives to the seminar to get the insurance buyer's viewpoint.

Dr. H. Wayne Snider, honorary member of ASIM and associate professor of insurance at Illinois

Wesleyan University was seminar manager. Dr. Snider has also written an article entitled "Education and the New Profession" that appeared in the January 1956 issue and an article entitled "Risk Management — A Profession" that appeared in the July 1956 issue of the National Insurance Buyer. He also spoke before the 1956 Spring Insurance Conference of American Management Association in New York and he has written a book entitled "Life Insurance Investment in Commercial Real Estate."

* * *

Last month's meeting is typical of the timely monthly topics of the organizations in the area. Since the week of October 7-13 was proclaimed National Fire Prevention Week, the Chapter's October meeting, held October 11, was devoted to fire prevention and the use of first aid fire protection equipment.

The program, in cooperation with the Decatur Association of Commerce and the Decatur Fire De-

(More on next page)



Past Presidents of Central Illinois Chapter, ASIM: Left to right: E. W. Rolley, Funk Brothers Seed Company, Bloomington, Illinois; George T. Heinrich, Caterpillar Tractor Company, Peoria, Illinois; and F. G. Sutherland, Illinois Power Company, Decatur, Illinois.

partment, consisted of a demonstration by Ansul Chemical Company on the use of first aid fire equipment to extinguish various types of simulated fires, including pressurized gas fires, propane, paint spray booth fires and others. The program also included a display of various types of first aid fire protection equipment, dinner, a film in color shown by the Ansul Chemical Company followed by brief remarks from Virgil Landgraf, Operational Manager, Ansul Chemical Company, Decatur Fire Chief Lynn P. Martin and Robert L. Young, Chairman of the Fire Prevention Committees of the Decatur Association of Commerce.

Invitations were extended to all businesses and industries in the area and other groups interested in fire prevention and protection. Decatur television station WTVP was on hand to film parts of the demonstration and showed the film on TV the following day.

(More on page 48)

BROWN, CROSBY & CO., INC.

Serving insurance needs of Industry and Individuals for
over fifty years.

Complete Brokerage Service for all types of Insurance.

Fire

Casualty

Marine

Fidelity and Surety Bonds

Life, Accident and Health

Pensions and Group Coverages

96 Wall St., New York City

Hanover 2-8400

The ABC's of Corporate Insurance Management



G. T. Heinrich

by G. T. Heinrich
Property Insurance Manager
Caterpillar Tractor Company

Years ago a cub reporter on a large city daily inherited a desk and typewriter, from one of the old-timers. On both the desk and typewriter, in letters large enough to read without glasses, were the

words: **Who — What — Where — When — Why —**

It didn't take long for the cub reporter to find out what every news man knows: The secret of good news gathering is found in those five magic words: Who, What, Where, When, and Why — with a "How" often added.

Now after a decade as an Insurance Manager, it occurs to me that the magic words apply equally as well to corporate insurance management. And here is why —

"Who?"

Who? — When a loss occurs that could have been covered by insurance and wasn't, *who* is responsible?

Bear in mind that it's too late after the loss to alibi. It's the responsibility of the Insurance Manager to know what the risks are and to tell top management about them. It's up to the Insurance Manager to recommend coverage when coverage is available, or to have a good reason for not recommending it. If coverage is not available, top management should be so informed.

Yes, *who* is responsible? Who is the first person thought of when the loss occurs? If and when that time comes, the Insurance Manager is the first called upon to show that the policy previously purchased will cover the loss suffered.

Who is responsible for studying the insurance needs, determining the policies available and the companies furnishing the policies, selecting the policy most adequate for the need, securing the cost, pre-

sending the recommendations to management, placing the coverage, administering requirements of the policy, and administering settlement in case of loss? The Insurance Manager is the person—the "Who."

A study of insurance problems of a company will soon convince the student that insurance is not an exact science. There are too many variables in each situation, even though the problem seems to be the same, to be able to say that the same results may be expected each time. There are no set rules to equate the circumstances surrounding the insurance problem.

No two companies have the same size or the same quality of production facilities; nor do any two insurance underwriters evaluate the risk in exactly the same fashion.

This produces a situation which calls for a lot of understanding between the Insurance Manager and the underwriters. A feeling of trust and reliance is nurtured by each of these groups working together over a period of time, and by each observing and respecting the problems of the other.

The Insurance Manager must have the ability to sell management on insuring the risk by whichever method he believes best. To be able to properly evaluate a risk and determine whether it is advantageous to self-insure rather than use a commercial carrier is one of the functions of the Insurance Manager.

The over-all make up of the Insurance Manager calls for someone with a knowledge of laws of contract, surety and liability. In addition, he must be familiar with insurance terms, provisions, theory and practical workings of insurance and accounting practices, and have the patience to listen to what others have to say.

Not to be left out in the character of an Insurance Manager is a

friendly spirit, and, at times, the stubbornness of a mule in working for the program which he manages. On the whole it would take a long list to enumerate the qualities desirable in the make-up of the Insurance Manager.

However, it would be fruitless, indeed, if this man did not possess a knowledge of the hazards which make for the necessity of insurance, a knowledge of coverage and the limits available under them. Furthermore, he must know the insurance market in order to secure the coverage necessary, or to determine that such coverage does not exist.

"What?"

What? "What" is the next question showing on the card of the old typewriter. The Insurance Manager must be cognizant of a lot of "whats" everyday.

Let's consider some of the items which go to make up answers to this question. The Insurance Manager directs his thinking along the lines that the insurance needs of his company are never static. Instead these needs are in a varying state of change at all times.

To anticipate the change, its direction and its consequences, the Insurance Manager must utilize the reports furnished him. He must devise methods of presenting his conclusions to top management in a form which is easily understood, but still reflects the need for any necessary or appropriate action. Thus we may say that one of the answers is to point out to top management what the company needs in the way of insurance.

In bringing the need for insurance to the attention of management the Insurance Manager should be aware of the type of protection needed to cover the loss which could be incurred. It is not

(More on page 43)

The Insurance Picture as Viewed from the Washington Scene

BY A. L. KIRKPATRICK

MANAGER, INSURANCE DEPARTMENT, UNITED STATES CHAMBER OF COMMERCE

Before The

First Annual Insurance Buyers Conference

Southern California Chapter

American Society of Insurance Management

September 19, 1956 — Los Angeles

I was glad and felt highly honored when Mr. Parrett invited me to come to Los Angeles and speak to this group tonight. Through the years I have come to recognize the professional managers of corporate insurance portfolios as the keenest analysts of property values, of potential loss hazards and of policy coverages that are to be found anywhere. Your sagacity and discernment are equalled only by some of the most outstanding brokers and agents who habitually match their skills with yours in their search for the best insurance markets.

So I approach this audience as one of the most sophisticated groups of insurance executives to be found anywhere in the country.

This evening I want to talk with you very briefly about some of the things that are going on in Washington and in the country. I am going to speak to you very frankly. I may even say some things that might better not be said. But I believe very strongly that these are times when all the facts should be laid on the table. And you men are, in fact, the service men of America. If one should not feel free to speak fully and frankly to such a group as this, then where can the truth be spoken?

We are in a period of great and dramatic and even exciting change and fermentation in the world. The appraisal of its meaning is not certain or easy to measure. But the effort to understand it begins with the facts—the facts about what is happening and the motivating causes back of the events.

The important — the basic — changes — the long-range trends, unfold slowly. Like a picture puzzle, no single piece or event, tells us much about the whole

larger picture. It is only when we can put them together correctly, fitting each event into its proper surroundings, that we can get a correct appraisal of the long-range trend.

All of us are conscious of the basic struggle today between the individual to maintain and improve his freedom, and those forces which would use the office of government to bring him into subjection. We have watched with concern, the continued growth of the welfare programs, the grant-in-aid programs of the federal government, it's so-called insurance and guarantee programs, and the increase in its regulatory powers of all kinds.

While the purpose of each, is directed at rendering some service, there is the collateral exercise of authority by the federal government over the individual, the states, or others who are the beneficiaries of the service.

Grants-in-aid to the state are today measured in billions of dollars. Over 40 programs are involved, the great majority of which concern social welfare functions of one kind or another.

Insurance has become another popular mechanism of government. In the few minutes allotted to me this evening I want to discuss with you several of the most recent developments in the insurance picture as seen from a Washington vantage point.

One of the first things I discovered when I moved into the Washington scene eleven years ago was that, while my experience in the commercial insurance world was invaluable as a background, the task I was confronted with had little to do with the conduct of the

commercial insurance business.

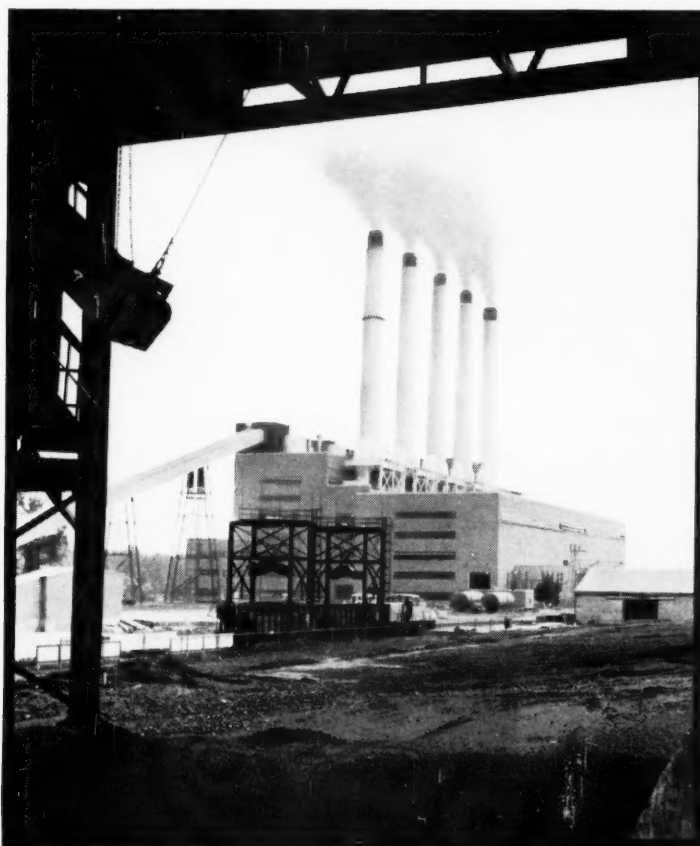
Rather it dealt with the attempts to apply insurance principles to the alleviation of losses which commercial insurance does not cover. In most of these cases the proposed plan of so-called insurance involved the almost certain use of government subsidies. There is a great need in Washington for a better understanding by members of Congress, committee staffs, federal agencies and others, of some of the basic principles of insurance underwriting and why they cannot be applied to some hazards. It's not an easy task.

Most people believe thoroughly in insurance. They know it is a good thing. They have come to have great confidence in the management of the commercial companies. But there is little understanding of the fundamentals of the loss-spreading technique and of selective underwriting which makes insurance available to good risks but screens out bad ones.

The popular concept of insurance is such that it is easy for people to believe that it should be available to anyone who suffers any kind of a loss or a need. You are familiar with its application in the case of the old-age and survivors insurance under social security which pays benefits which are more closely related to the need of the recipient than they are to the amount which he paid for.

So, it's a common thing in Washington for someone to come forward with a proposal that the government set up a plan of insurance to guarantee people against loss of various kinds and at a premium which almost everybody can afford to pay. It's a nice concept if it
(More on page 34)

EXTRA VALUE MAKES THE DIFFERENCE IN INSURANCE



Insurance
stands back
of Hoosier
power

PUBLIC SERVICE COMPANY OF INDIANA furnishes power and light to millions in the homes and industries of the great Hoosier state. The policies of NORTH AMERICA have protected this Utility for twenty years.

Flick on a light and you funnel in kilowatts. That's a Utility's facilities, equipment, property—harnessed for power. Protecting these assets calls for 'extra value' in insurance and service—the kind the North America Companies have been furnishing for twenty years to Public Service Company of Indiana, Inc. In making the original Insurance Analysis, technical representatives inspected 2000 properties—offices, plants, warehouses, repair shops, garages, even a coal mine. After this sweeping investigation, recommendations were made on coverages;

on forms and procedures; on reduction of hazards. The Utility came out with broader protection and has 'vigilant supervision' over every phase of fire prevention, fire protection and loss adjustment. The benefits multiplied—the cost didn't.

This is one example of how North America can put specialized experiences and vast resources to work to develop a *creative* program of insurance for a policyholder. Your company can get the same constructive treatment, through North America agents or your broker. Ask about North America's 'extra value'.

Insurance Company of North America
Indemnity Insurance Company of North America
Philadelphia Fire and Marine Insurance Company



Protect what you have ©

NORTH AMERICA
COMPANIES
Philadelphia

Contractual Liability and Hold Harmless Agreements

By
Virgil R. Howell, Partner
Mund, McLaurin & Co.
Independent Insurance Analysts
Los Angeles, California

(speech made before First Annual Buyers Conference, Southern California Chapter, American Society of Insurance Management, Sept. 19, 1956)

Basic Coverages Provided Under Liability Policies

The basic forms of Comprehensive Public Liability and Property Damage Liability policies provide coverage with respect to the liability imposed upon the insured by law for damages on account of injuries to persons or damage to property of others, arising out of the business operations conducted by the insured.

Liability assumed by contract is a legal liability—since it can be enforced in a court—but it is not liability imposed by law. Contractual Liability may be defined briefly as that responsibility which by negligence law we do not possess, but which by the same law is possessed by another and which we by contract have agreed to take over in whole or in part from such other person. The specific clause in a contract by which we do this has been termed “hold harmless,” “save harmless” or “indemnification” clause. These agreements require indemnitors (sellers) to assume the liability of the indemnitees (buyers) regardless of sole or partial negligence on the part of the buyers.

Liability policies generally exclude coverage with respect to all liability which may be assumed by or imposed on the insured under any form of contract or agreement, oral or written, *excepting* leases of premises, easement agreements, agreements required by municipal ordinance, sidetrack agreements

and elevator and escalator maintenance agreements.

Complete automatic Contractual Liability insurance is not prohibited and occasionally may be obtained by endorsement, but in practice, most companies are generally reluctant to write it, because of the probable arguments over the propriety of the premiums which the insured is likely to incur, based on liability which he may not know he has assumed under various contracts, and which may be too complex to interpret for rating purposes, or which may be too drastic to assume at any cost acceptable to the insured.

Types, Degrees and Effects of “Hold Harmless” Agreements

Since the widespread use of “hold harmless” clauses is an accepted fact, every firm should have established procedures for the insurance manager to seek counsel of its legal adviser in determining the extent of liabilities which have been taken over, whether it be a railroad sidetrack agreement, a construction contract, lease, purchase order, or whatever form.

In our discussion, we will use the following general terms to define the respective parties to the contract:

“Buyer” (indemnitee) — buyer, owner, landlord.

“Seller” (indemnitor) — seller, contractor, sub-contractor, tenant.

The following digest of actual “hold harmless” agreements will il-

lustrate the types and degrees of contractual liability to which a firm may be a party:

1. Innocuous: Seller responsible for only his own acts.

2. Mild: Seller responsible for his own acts and those of his agents.

3. Moderate: Seller responsible for his own acts, acts of his agents, and any contributory negligence of Buyer.

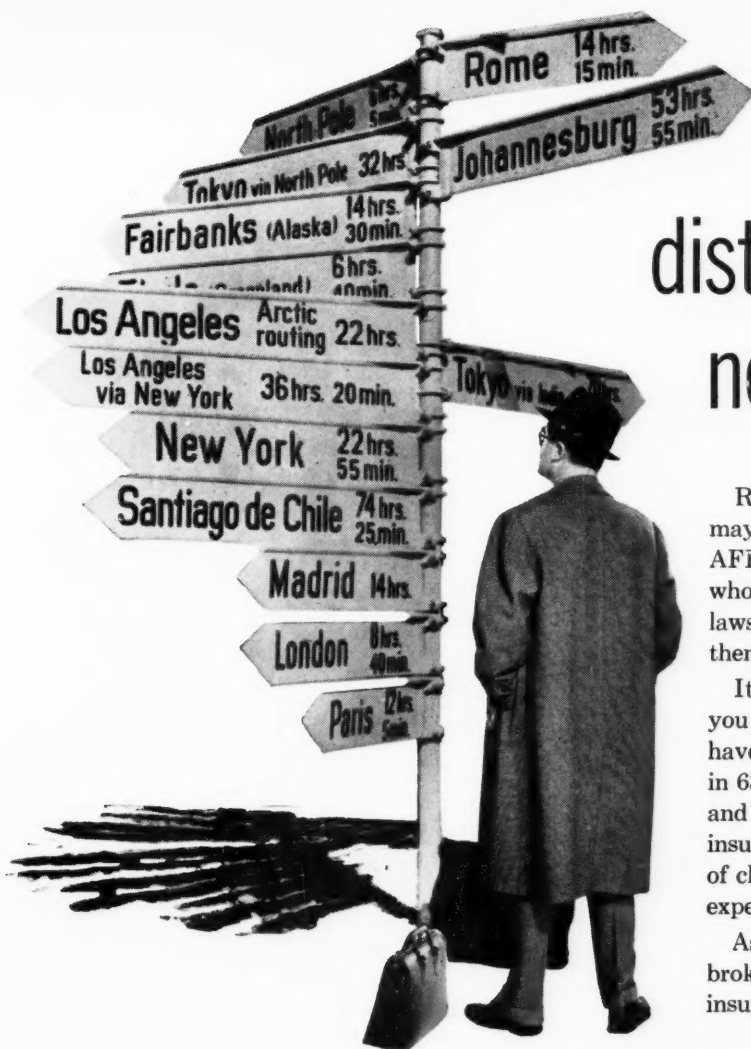
4. Severe: Seller responsible for his own acts, acts of his agents, contributory negligence and sole negligence of Buyer (excluding injuries to Buyer's employees).

5. Extreme: Seller responsible for his own acts, acts of his agents, contributory negligence and sole negligence of Buyer (including injuries to Buyer's employees).

6. Drastic: Seller responsible for his own acts, acts of his agents, contributory negligence and sole negligence of Buyer (including injuries to Buyer's employees) and any other injuries howsoever caused.

7. Ultra-Drastic “The liability of the contractor hereunder is absolute and without regard to negligence.” (This required that the general contractor and his sub-contractor must be liable for even those acts and omissions for which this particular Municipality may be solely liable and further that the contract related not only to construction or the installation of equipment, but required a test period for structure and equipment, and even more important a period of guarantee of such equip-

(More on page 32)



distance makes
no difference...

Remote as your overseas business may be, its insurance protection through AFIA is serviced by a nearby office whose personnel know local conditions, laws and regulations and apply them for your security.

It's one of the big pluses you get when you insure through AFIA. Then you have more than 600 offices and agencies in 63 foreign lands constantly ready and willing to help you with your foreign insurance problems and the settlement of claims—the same type of service you expect on "Main St., U.S.A.".

Ask your local insurance agent or broker to consult AFIA on all foreign insurance problems.



AFIA

AMERICAN FOREIGN INSURANCE ASSOCIATION

161 William Street • New York 38, New York

CHICAGO OFFICE . Insurance Exchange Building, 175 West Jackson Blvd., Chicago 4, Illinois
DALLAS OFFICE Vaughn Building, 1710 Commerce Street, Dallas 1, Texas
LOS ANGELES OFFICE 3277 Wilshire Boulevard, Los Angeles 5, California
SAN FRANCISCO OFFICE . Russ Building, 235 Montgomery Street, San Francisco 4, California
WASHINGTON OFFICE . . Woodward Building, 733 15th Street, N.W., Washington 5, D.C.

An association of 22 American capital stock fire, marine, casualty and surety insurance companies providing insurance protection in foreign lands

A. Don Marvin

Minnesota Chapter and the entire membership of the American Society of Insurance Management was stunned and saddened by the death of A. Don Marvin, a member and past president of Minnesota Chapter. Mr. Marvin died sometime during the night of September 13th from a heart attack and was buried from the Le Sueur Presbyterian Church on September 16th.

Don Marvin was Insurance Manager for Green Giant Company of Le Sueur, Minnesota. His attendance at monthly meetings was regular and he contributed much to the growth of his chapter, through his fund of insurance knowledge and his unbounded energy and enthusiasm. We will miss him very much.



O. E. WEES
President,
Northern California Chapter, ASIM

Northern California Chapter ASIM Elects O. A. Wees

O. A. Wees, insurance manager of Crown Zellerbach Corporation, was elected 1956-57 president of the Northern California Chapter, American Society of Insurance Management, Inc., at a record-attendance meeting of the Chapter in San Francisco.

Mr. Wees, known to his friends as "Gus," is a native of San Diego, California and a graduate of Cogswell Polytechnical College, and Golden Gate College of San Francisco. He has been an office boy, a timekeeper, an accountant, insurance auditor, and insurance manager for Crown Zellerbach Corporation, and served with the United States Army from 1943 to 1945.

As president of Northern California Chapter, he has adopted the slogan "A little more light on the subject."

R. W. Humphrey, vice chairman, System Insurance Committee of the Southern Pacific Company, was elected to serve as vice president; J. A. Crockwell of Pacific Gas & Electric Co., as secretary, and A. E. Flieger, insurance manager of the Bank of California, as treasurer.

J. E. Moriarty, insurance manager of the Robert Dollar Company, was elected a national direc-

tor of the ASIM, while E. C. Lasater, insurance manager of Rosenberg Bros. & Co., Inc.; H. L. Hilleary of Standard Oil of California; and J. P. Holstein, assistant insurance director of California Packing Corporation, were elected directors of the Northern California Chapter.

Atomic Hazards Discussed at Meeting of New York Chapter American Society of Insurance Management, Inc.

Public realization of the dangers inherent in the nuclear reactors and radioactive isotopes creates a whole, new area of study in the present insurance curriculum. The march of time is rapid and the problems of Atomic Hazards so new to our economy and way of life, they demand reevaluating.

No one is better qualified to present the vast problems of the Age of the Atom as they relate to the insurance industry than William J. Satterfield, Jr., Chief of the Insurance Division of the United States Atomic Energy Commission, who was the speaker at the October 25th open meeting of New York Chapter, American Society of Insurance Management, Inc. (Hotel Statler, N. Y. luncheon).

William J. Satterfield, Jr. served as Chief of the Insurance Section with the Manhattan Engineer District from March to December 1946 as a civilian—and from January 1945 to March 1946 as a member of the Army.

From May 1943 to January 1945, he was liaison officer for Contract Insurance Branch, Office Chief of Finance, Army of the United States, in Chicago. From January 1941 to May 1945 he had various assignments in the U. S. Army.

From July 1927 to January 1941, he was associated with the Maryland Casualty Company in both field and home office duties.

A graduate of Dartmouth College, he is a native of Washington, D. C.



American Appraisals avoid losses due to under-insurance

Continuous American Appraisal Service® prevents under-insurance by providing current valuation facts—based on records that command respect and are always available when proof is needed.

**The
AMERICAN
APPRAISAL
Company**

leader in property valuation
HOME OFFICE: MILWAUKEE 1, WIS.



Dependability is a "must" . . .

*When protecting your shipments over
land and sea it's safe business to insure
through the MARINE OFFICE of AMERICA.*

*Then you have protection that is dependable—
that will not fail in good times or bad.*



**Consult Your Local
Insurance Man**



MARINE OFFICE of AMERICA

116 JOHN STREET, NEW YORK 38, NEW YORK

MEMBER COMPANIES:

THE AMERICAN INSURANCE COMPANY • THE CONTINENTAL INSURANCE COMPANY • FIDELITY-PHENIX FIRE INSURANCE COMPANY
FIREMEN'S INSURANCE COMPANY • GLENS FALLS INSURANCE COMPANY • THE HANOVER FIRE INSURANCE COMPANY
NIAGARA FIRE INSURANCE COMPANY

—OFFICES—

NEW YORK • CHICAGO • NEW ORLEANS • SAN FRANCISCO • HOUSTON • TORONTO
Atlanta • Baltimore • Boston • Cleveland • Dallas • Detroit • Indianapolis • Jacksonville • Los Angeles • Louisville
New Haven • Philadelphia • Pittsburgh • Portland • Raleigh • Richmond • St. Louis • Seattle • Stockton • Summit • Syracuse



George A. Conner

Yardstick of Dishonesty Exposure

by

George A. Conner

Vice President Fidelity and Deposit Company of Maryland

The Honesty Bond Underwriter is a peculiar kind of person. You may have heard him brag that his losses are just as earth-shaking as those in any other field of insurance. Certainly the large dishonesty losses during the past year have made it unnecessary to prove this point further. For example, the Employee Fraud or Dishonesty Loss is just as *spectacular* as any fire loss. It appeals to the imagination and creates just as much interest as a devastating fire loss. Could you have any more reader interest than there is in the recent \$2,900,000 loss sustained by the Commonwealth Building and Loan Association in Norfolk, Virginia, all caused by a middle-aged woman Assistant Secretary-Treasurer? No one yet knows why she spent her life giving away her employer's funds. A large staff of auditors worked on the books for several months before discovering the total amount of the loss. We are informed she gave friends some twenty Cadillac cars in return for small favors.

The Employee Dishonesty Loss is just as likely to *bankrupt* a firm as a third-party liability claim. Only recently we read that 29 fellow-employees lost their jobs because a trusted bookkeeper's \$72,000 loss closed the doors of a piano firm. She had been employed for 25 years and was so well trusted that no Honesty Bond was carried.

The Employee Dishonesty Loss is just as difficult to control by *Loss Prevention Programs* as the highway accident which is causing so many headaches in the automobile insurance field. The best minds in the accounting industry have set up excellent systems of internal audits and controls to prevent dishonesty

losses. So far as I know, none guarantees a system that will prevent all employee fraud losses.

The Employee Dishonesty Loss has one characteristic which makes it entirely different from any other kind of loss. It is the *only type of loss that defies discovery*. Any ordinary person can discover a fire loss, a third-party liability loss, an automobile accident, but it takes an ingenious person to discover an employee dishonesty loss. I have known some of them to escape as many as fifteen independent public accountant audits. I have known some to remain undiscovered as long as 25 years during which time there were regular Federal or State examiners' audits. As a matter of fact, the average period during which a defalcation occurs without being discovered is three years for commercial and industrial concerns and seven years for financial institutions.

Many studies have been made of dishonesty losses, their causes and methods of prevention. I think the survey that produced one of the most interesting results was made by Price, Waterhouse & Company. In their analysis of 100 cases they broke down the losses as to the method of discovery:

Internal Checks	11
Management Inquiries	16
Public Accountants and Internal Auditors ..	29
Unknown	8
Gratuitous Circumstances or Just Plain Luck	36

Obviously the surprising thing is the fact that over one-third of the losses analyzed were discovered through sheer luck. This illustrates as well as anything I can say the extreme difficulty of determining an adequate amount of Honesty Insurance. If an assured is unlucky, the period of a defalcation may extend considerably beyond the average of three years and result in a devastating loss that can not be absorbed by the financial worth of the Insured.

Dishonesty losses as a proper subject of insurance have not been fully respected by the insurance buyer. Oh yes, he has purchased Honesty Insurance but too many times it has been purchased only in nominal amounts. The fault may lie with the Insurance Company, insurance agent or broker who has been satisfied to sell small amounts of Honesty Insurance with the expectation of increasing the coverage at subsequent anniversary dates. This is a mistake of which professional insurance men should not be guilty. Honesty Insurance should not be bought for the small, frequent, every-day loss. This is bad both from the standpoint of the Insured and the Underwriter. The Underwriter cannot be expected to continue on a risk

(More on page 16)



WHAT
DO YOU USE
TO MEASURE
LEADERSHIP...?

The tape measure may provide an accurate measurement of girth... but girth is no accurate measurement of leadership. In this highly technical age "close tolerances" are every-day standards... whether gauging the accuracy of a fine moving part in a precision instrument... or evaluating the services rendered by a business organization. The philosophy of Chubb & Son for almost three-quarters of a century is characterized by the development and expansion of the individual phases of its services... each a precision part of a precision function. Its leadership is the natural result of its "close tolerance" performance. Chubb & Son squarely meets today's exacting methods of gauging... a true measure of leadership.

CHUBB & SON, Underwriters

90 John Street, New York 38, New York

Managers

FEDERAL INSURANCE COMPANY • VIGILANT INSURANCE COMPANY
THE MARINE INSURANCE CO., LTD. • THE SEA INSURANCE CO., LTD.
LONDON ASSURANCE (MARINE DEPT.) • ALLIANCE ASSURANCE CO., LTD.

Ocean and Inland Marine • Transportation • Fire and Automobile • Casualty • Surety • Fidelity
Aviation Insurance through Associated Aviation Underwriters

Yardstick (From page 14)

year after year at a 50% loss ratio which is caused by a frequency of small losses that good internal controls and audits can prevent or that may be inherent in the business. Honesty Insurance should be purchased to take care of the large unexpected losses. It must protect the profits or even the very assets of a company from being wiped out or seriously impaired by dishonesty losses.

The insurance industry has long failed in its duty to supply a proper measure in order to determine the amount of Honesty Insurance that should be carried by industrial and commercial concerns. In the Bankers and Savings and Loan fields the problem of "How Much Coverage?" has been adequately handled for a number of years. It must be admitted that the problem there is somewhat simplified by the fact that the principal exposure is on money and securities so that a proper Table of Minimum Coverages has been much more easily obtainable. The Table of Minimum Coverages for Banks is based on the amount of deposits. In the commercial and industrial field underwriters over a period of years have tried various yardsticks in order to determine the proper amount of coverage. One underwriter suggested a charge of \$1,500 or \$2,000 per Class A employee. Another underwriter suggested an amount equal to 10% of gross sales. Still another, and to that I plead guilty, suggested a breakdown into five categories, with different yardsticks for each one:

Group 1

Insureds which sell services, with a relatively small percentage of assets represented by equipment or merchandise inventory. (Examples: real estate agencies, insurance companies and agencies, educational institutions.)

- (1) \$2,000 per Class A employee under a Primary Commercial Blanket Bond.
- (2) \$1,500 per Class A employee under a Blanket Position Bond.

Group 2

Insureds which sell services, with a relatively large amount of assets represented by equipment but with small merchandise inventory. (Example: hotels, hospitals, warehouses, theatres, contractors, publishing companies.)

5% of gross sales

Group 3

Insureds engaged in the sale or manufacture of durable goods, such as automobile companies and dealers, automobile equipment companies, lumber, furniture, machinery and metal companies.

5% of current assets

Group 4

Insureds engaged in handling and selling food, drugs and chemical products.

10% of current assets or 5% of gross sales

Group 5

Insureds engaged in the general merchandise or wearing apparel business.

10% of current assets

In 1952 a committee of the Surety Association of America was appointed to study all outstanding yardsticks and to decide upon a scientific method of determining the minimum amounts of Fidelity coverage that should be carried by various concerns. The Committee received a comprehensive report on all losses in excess of \$10,000 for a ten-year period. Information obtained in connection with each included the nature of business, amount of loss, period of concealment, position of defaulter, amount of bond, current assets, sales or gross income, number of Class A employees and other pertinent facts. Various tables were applied to these losses in order to determine which would produce a reasonable and adequate result. The number of losses included in the review was 500.

Two outstanding problems faced the Committee:

- (1) Finding a table that would recognize differences in exposure due to the various kinds of operations of Insureds.

For example, the difference between a drug company with a large inventory and a real estate concern with little or no inventory; or between a contractor with heavy equipment and a concern engaged in general merchandise or wearing apparel business.

- (2) Finding a table which would apply both to small and large concerns without producing exorbitant amounts of coverage for the larger ones.

The first problem was solved by an analysis of what was stolen and the methods used. Obviously losses in cash receipts and cash disbursements are most frequent. The Price, Waterhouse survey referred to above indicated that 56 out of 107 losses consisted of embezzlement of cash receipts and 44 out of 107 involved cash disbursements. Losses of goods on hand or inventory account for the other seven cases. Also, since the average dishonesty loss extends over a period of three years before discovery, it was necessary that the turn-over be considered in arriving at a proper solution since the larger the turn-over the easier the accessibility by the dishonest employee and the more readily the concealment of the shortage. Therefore, the following three items in the Insured's financial statement were used as a basis for arriving at a final table:

1. Cash — Deposits — Securities — Accounts Receivable

In this category fall all the losses due to manipulations of cash receipts and cash disbursements and a mixture thereof. For example, we paid \$187,000 due to a loss caused by a plant accountant of a large concern in the Midwest. He used employees of his company as maintenance men, butlers, maids, baby-sitters

(More on page 42)



Now! The world's largest panel of insurance experts ...at your service

on the spot risk analysis,
rate and safety engineering,
claims service

for out-of-town insurance

The Insurance Service Association of America is a network of the leading local insurance brokerage firms in 55 cities of the U.S., Canada, Cuba and Puerto Rico. By dealing with the member firm near you, you benefit from insurance counsel by experts who best know local conditions for your every branch, plant, warehouse or office—*wherever located*. The result: consolidated administration under your control, on-the-spot claims service, coverages adjusted to local conditions, often at substantially lower cost.

For full details, without obligation, call the Insurance Service Association member nearest you.

Atlanta, Ga.
DUNLAP AND COMPANY
Baltimore, Md.
RIGGS-WARFIELD-ROLOSON, INC.
Birmingham, Ala.
FORD-MYATT & EBAUGH
Boston, Mass. (Providence, R.I.)
BOIT, DALTON & CHURCH
Buffalo, N.Y.
J. N. WALSH COMPANY
Calgary, Alberta (Can.)
MACKID AGENCIES LTD.
Charlotte, N. C.
INTERSTATE INSURANCE, INC.
Chicago, Illinois
MOORE, CASE, LYMAN & HUBBARD
Cincinnati, Ohio
THE EARLS-BLAIN COMPANY
Cleveland, Ohio
THE W. F. RYAN CORPORATION
Columbia, S. C.
BOYLE-VAUGHAN AGENCY
Dallas, Texas
ELLIS, SMITH AND COMPANY
Denver, Colo.
VAN SCHAACK & COMPANY
Des Moines, Iowa
LA MAIR-MULOCK CO.
Detroit, Mich.
GENERAL UNDERWRITERS, INC.
Hartford, Conn.
ALLEN, RUSSELL & ALLEN

Havana, Cuba
G. F. KOHLY, S. A.
Houston, Texas
LANGHAM, LANGSTON AND BURNETT
Indianapolis, Ind.
BOWEN-MAHAFFEY
Jackson, Miss.
FOX-EVERETT, INC.
Jacksonville, Fla.
DONALD A. BOLTON & CO.
Kansas City, Mo. (Topeka, Kan.)
SPEED WARNER, INC.
Lincoln, Nebraska (Omaha)
WEAVER-MINIER COMPANY LTD.
Little Rock, Ark.
RECTOR, MEANS AND ROWLAND
Los Angeles, Calif.
MILLER, KUHRYS & COX
Louisville, Ky.
NAHM AND TURNER INSURANCE AGENCY, INC.
Memphis, Tenn.
D. A. FISHER, INC.
Miami, Fla.
COATES & DORSEY, INC.
Milwaukee, Wis.
CHRIS. SCHROEDER & SON, INC.
Minneapolis, Minn.
WIRT WILSON & COMPANY
Mobile, Ala.
THAMES & BATRE

New Orleans, La.
GILLIS, HULSE & COLCOCK, INC.
New York, N. Y.
DESPARD & CO.
Philadelphia, Pa.
OSTHEIMER-WALSH, INC.
Phoenix, Ariz.
LUHRS INSURANCE AGENCY
Pittsburgh, Pa.
EDWARDS, GEORGE & CO., INC.
Portland, Oreg.
JEWETT, BARTON, LEAVY & KERN
Richmond, Va.
THE DAVENPORT INSURANCE CORP.
St. Louis, Mo.
W. H. MARKHAM & CO.
San Antonio, Texas
LYTLE W. GOSLING & COMPANY
San Francisco, Calif. (Oakland)
SPENCER & COMPANY
San Juan, Puerto Rico
COMPANIA CARRION, INC.

Savannah, Ga.
PALMER & CAY, INC.
Seattle, Wash. (Anchorage, Alaska)
LA BOW, HAYNES COMPANY, INC.
Toronto, Ontario (Can.)
TOMENSON, SAUNDERS, SMITH & GARFAT LTD.
Tulsa, Okla.
JOHN WAKEFIELD & ASSOCIATES
Vancouver, British Columbia (Can.)
DURHAM & BATES AGENCIES LTD.
Washington, D. C.
VICTOR O. SCHINNERER & CO., INC.
Wichita, Kans.
DULANEY, JOHNSTON & PRIEST
Winnipeg, Manitoba (Can.)
RYAN AGENCY LIMITED

Insurance Service Association of America

Executive Offices: 323 W. Sixth St., Los Angeles



what's protecting your firm against embezzlement?

Think carefully. What stands between your company and losses due to employee dishonesty?

The integrity of your workers, of course, is your first line of defense. In addition, you probably rely on your system of internal safeguards to discourage would-be embezzlers—or at least to detect dishonesty before it causes serious damage.

But is this enough? Studies by fraud prevention authorities indicate it *isn't*. Case histories show even the most highly respected and trusted employees *can* go wrong, that thefts of money, merchandise and materials *can* continue undetected for years, and that *no* system of internal controls exists that a determined embezzler can't beat.

And that's why companies need Honesty Insurance—the coverage which *indemnifies* employers against employee thefts.

If your firm is without this protection, or if your Honesty Insurance has not been thoroughly reviewed within the past few years, we urge you to consult the F&D representative in your community. He will be glad to discuss your Honesty Insurance needs with you, in complete confidence and without obligation. You can rely on his recommendations because he represents a company which *specializes* in protecting employers against embezzlement loss.

We also invite you to write for our free booklet, "Embezzlement Controls for Business Enterprises," which describes some of the preventive measures employers can take to reduce the risk of embezzlement.

For the booklet, or the name of the F&D representative nearest you, simply write (on your business letterhead, please) to Department H.

**FIDELITY
AND DEPOSIT CO.**
BALTIMORE 3, MD.



*World's Leading
Underwriter of
Honesty Insurance*

AFFILIATE: AMERICAN BONDING COMPANY

Risk Management Institute at University of Connecticut Great Success

Everyone who attended the Risk Management Institute of the American Society of Insurance Management, Inc., in conjunction with the University of Connecticut agreed that it was a "great success."

Under the auspices of the School of Business Administration, Dr. Laurence Ackerman, Dean, made everyone welcome and comfortable. He was ably assisted by David Ivry, Associate Professor of Insurance, who kept the Risk Management students on the "go" all the time.

Registrants of the Seminar which was held from September 26th through September 28th, were comfortably housed in the Continuing Education Building on the beautiful campus at Storrs. Meals were served in the students' dining hall and in the faculty dining rooms, with a cocktail party on the night of September 27th at the Willamette Golf Club.

Morning sessions were devoted to speeches by prominent speakers (announced in the September issue of *The National Insurance Buyer*) and the afternoon and evening sessions were given over to discussion periods.

It was a thoroughly illuminating educational experience, which not only afforded the registrants an opportunity to learn a great deal about their insurance management problems, but afforded them an opportunity to get together during the three-day sessions.

Each member received a certificate from The University of Connecticut, Division of University Extension, attesting to his attendance, with his name properly affixed, and signed by Carlson E. Crane, Director of the Division of University Extension, and by A. N. Jorgensen, President of the University of Connecticut.

Anyone who missed this Risk Management Institute should make a note to be sure to attend next year's Seminars. Those who did attend, will want to come back to the University of Connecticut for another Institute.

The American Society of Insurance Management believes that these seminars are of utmost importance to its members and that this program is one of its outstanding services.

We thank the staff at the University — Dr. Ackerman, David Ivry, Bud Herrick, Brad Beadle, Mrs. Barlow, and last, but not least, "Missy," Dr. Ackerman's canine-insurance-manager.

Chicago Chapter ASIM Holds First Fall Meeting

The Chicago Chapter ASIM held its first fall meeting Sept. 20, at the Chicago Bar Association.

There was a panel discussion led by George E. DeWolf, insurance manager, Jewel Tea Company, Inc., and L. R. Butzen, manager, insurance and loss prevention department, Montgomery Ward & Co.

The subject was: "Insured vs. Uninsured." The subject was chosen because interest in it was most frequently indicated in the replies to questionnaires sent to all

members.

Both panel members have several years of practical experience in administering corporate programs of insured and self insured risks. They presented their views on the factors they consider basic in determining when a risk should be completely or partially insured; also, when the uninsured risk should be handled through a book or funded reserve or by charging each loss directly to operations.

The meeting was open to guests, brokers and insurance company representatives.

"I suppose our people understand their group insurance benefits. Why?"

"If you had B. E. U., you'd be sure of it! And you'd both get the most out of your investment!"



YOU EMPLOYERS know to the penny the protection your people get through their group insurance. But only when *they* know how much their group benefits mean to them will you *both* get the maximum returns from your group insurance investment.

B. E. U. MAKES IT EASIER for you to explain the benefits to your workers, makes for a deeper, more lasting understanding. It helps because it *works!*

VITAL B. E. U. SERVICE, developed by Connecticut General, stands for Better Employee Understanding.

It increases your returns through a proven method of improving work attitude and concentration on the job, as well as keeping quality output high.

THANKS TO B. E. U., thousands of employees already covered by Connecticut General group insurance are more cheerful, more productive workers. Are *yours?*

GET THE MOST out of *your* group insurance investment . . . with B. E. U. Call our local office or your insurance man for details. Connecticut General Life Insurance Company, Hartford.

Connecticut General

- GROUP INSURANCE
- PENSION PLANS
- HEALTH
- ACCIDENT
- LIFE

The Insurance Manager's Job

by

C. Henry Austin

President of Chicago Chapter, ASIM, and a Director of ASIM

(speech made before the September meeting of Cincinnati Chapter, American Society of Insurance Management, Inc.)



C. Henry Austin

C. Henry Austin, a graduate of Washington University School of Law at St. Louis, is a member of the Missouri and Illinois bars. After doing general trial and corporation work with a Chicago law firm, he joined Standard Oil Company (Indiana). While an attorney in its Law Department he represented the company in many fields in the general practice of law. In 1950 he was appointed manager of Standard's newly organized insurance department. He is president of Dradnats, Inc., and a director and secretary of Stanolind Marine Transport Company, subsidiaries of Standard Oil Company. Mr. Austin is a member of the American Bar Association (a member of its Casualty Insurance Law Committee, Section on Insurance Law), the Illinois and Chicago Bar Associations; a director of the American Society of Insurance Management, Inc., and president of its Chicago Chapter.

In recent years we have seen tremendous changes in our area of responsibility. The individual in charge of the corporate insurance program is no longer a buyer of insurance, looking for the lowest premium (or other consideration).

For one corporation executive's view of the modern risk manager, I call your attention to a statement made by Mr. Horace P. Liversedge, Chairman of the Board of the Philadelphia Electric Company, who says, "Forward looking management has long since come to look upon insurance as a specialized field far beyond the routine purchase of policies.—Today we must have the full time insurance executive heading a separate department . . . a specialist to whom management can look for the analysis of risks . . . selection of methods to reduce or eliminate risks and procurement of adequate insurance contracts."

This recognition of insurance as one of the major areas of modern management has also resulted in the recognition of the need for individuals who are in truth risk managers. The individual responsible for insurance must recognize exposure to loss; estimate probability of loss; gauge the potential seriousness of the loss; determine whether the exposure can be covered by insurance; develop the type of policy which fits his company's particular needs; select the insurance company best qualified to assume the risk, with due regard to its financial status, service facilities and underwriting philosophy; develop tentative rates which are economically sound both for the insured and the insurer; and participate in the presentation of the risk to the representatives of the insurance company.

* * *

At this point, if the risk manager's approach to the risk has been

on the basis of sound underwriting principles and accepted actuarial practices, and if he has approached carriers which have been evaluated and selected properly, he should be able to present to his management a sound, economical insurance solution to the loss probabilities presented by the exposure, and thus not subject himself to the charges of being either overly insurance conscious or a broker's captive.

After final arrangements have been made with the insurance company and the program presented to and accepted by management, the risk manager must be prepared to assist the accounting department in establishing premium allocations, establish claim and loss reporting procedures, and establish statistical records of loss frequency, severity and type. In those instances in which the risk manager administers the Employee Group Benefits Program, he must prepare simple explanatory booklets describing the benefits for the employee.

He must also prepare and present to management periodic reviews of various insurance purchased. These reviews must be clear and concise and should present statistical data which will permit management to understand the actual operation of the insurance program.

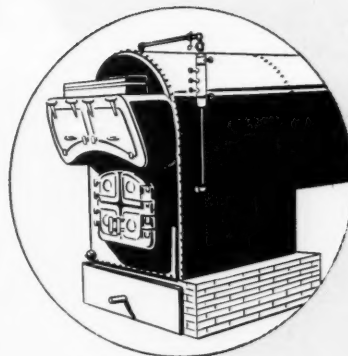
These reports must be free from technical insurance phraseology regardless of how well it is known to the risk manager or understood in the industry. Officers and directors do not have the time to puzzle out the meaning of such terms as facultative reinsurance treaties; retrospective rating with an aggregate deductible, etc.

I would like to emphasize this point; the Risk Manager must prepare himself to explain various types

(More on page 39)

A BOILER and MACHINERY QUIZ PROGRAM

*...with answers that mean
Dollars and Sense!*



- Q. Can you take advantage of recent rate reductions on Boiler and Machinery Business Interruption Insurance?
- Q. If you have Business Interruption, do you have per diem coverage (on which the reductions apply)?
- Q. Is that the best coverage for your business . . . or would an Actual Loss form be more advantageous?
- Q. Does your plant operation fluctuate throughout the year?
- Q. Do profits vary by seasons . . . certain months . . . certain weeks of every month?
- Q. Is there a profit variable on similar types of operations?

? ?

The *right* answers to this quiz program could mean dollars and make sense to you . . . the wrong answers could mean you are paying too much for insurance, or are in line for a heavy loss. Kemper boiler and machinery specialists are available at all times to help you get the right answers. (They do not sell insurance; see your broker or nearest Kemper agent.)

Call one of the branches listed below, or the Home Office.

Lumbermens *MUTUAL CASUALTY COMPANY*

American **MOTORISTS INSURANCE COMPANY**
James S. Kemper, chairman Hathaway G. Kemper, president

DIVISIONS OF
KEMPER
INSURANCE
•
CHICAGO

BRANCHES IN ATLANTA • BOSTON • COLUMBUS • DALLAS • LOS ANGELES • NEW ORLEANS
SAN FRANCISCO • SEATTLE • SUMMIT, N. J. • SYRACUSE • TORONTO

POSITIONS AVAILABLE

The following positions have been listed with us by member companies of ASIM:

Assistant Insurance Manager: Upstate New York, married, 30-35. Good insurance background, preferably in brokerage firm. Experienced in industrial insurance organization not necessary. (Address — NIB - PA - 5)

* * *

Top Claims Man: Midwest. Opening for experienced claims man. Must be tops to qualify, with Law Degree. Age 35-45. Large transportation company. Top salary for right man. This company is starting a new department. Fine opportunity for future. (Address — NIB - PA - 7)

* * *

Assistant Insurance Manager: New York City. Large retail chain. Young man. 30-35 with well-rounded insurance background and education. Immediate opening. (Address — NIB - PA - 8)

* * *

Assistant Insurance Manager: New York City. Age 30-35. This position requires ability to deal with figures and details, handle correspondence and exercise judgment. Some insurance background helpful. (Address — NIB - 9)

* * *

Group Insurance and Pension Plans Man: Position open for top notch group insurance and pension plans man to take complete charge of department. Large multi-manufacturing concern. New York City. Age 35-42. (Address — NIB - PA - 10)

* * *

Fidelity & Casualty: Young Man — 30 to 40 years of age to handle fidelity and casualty insurance for branch operation of large manufacturer. Baltimore area. (Address — NIB - PA - 11)

PERSONNEL AVAILABLE

All Applicants Are Requested to Submit Five Copies of Resume

Young man, 30, married — good education — would like to improve his position. Now employed as assistant to Insurance Department Manager of large private corporation. (Address — ASIM - 20)

* * *

Top-Ranking Insurance Manager wishes to change position. Is cur-

rently responsible for developing and administering the insurance program of a well-known corporation. Experienced in safety programs. College degrees in Economics and Finance. Married, age: about 35. Exceptional man for exceptional position. (Address — ASIM - 29)

* * *

Insurance Manager, Age 31, married, with two children. Law degree. Eight years experience as Corporation Assistant Insurance Manager, Claims Manager and Agency Manager. Desire position as Insurance Manager or Assistant. Presently employed as Assistant Insurance Manager. (Address — ASIM - 31)

* * *

Executive Associate in Insurance. Married, age 50, college degrees in mathematics and physics. Experienced in domestic and foreign insurance management. Has developed volume of business transacted, improved loss ratios, yield, reporting and control of posts held in U.S.A. and abroad. Wishes position in corporate insurance department. (Address — ASIM - 32)

* * *

Service Representative, Underwriting Manager, Casualty Manager for top insurance companies, and Insurance Counsellor for a management consultant firm, wishes position with corporate insurance department located in San Francisco area. Married, age 48, CPCU. College graduate. (Address — ASIM - 33)

* * *

Executive in insurance, sales management, market analyst, efficiency methods, accounting and finance. Age 48, married. College graduate. Currently associated with an underwriting firm in Texas, will relocate in the United States or a foreign country as executive in the forementioned fields. (Address — ASIM - 34)

* * *

Insurance Manager or Assistant Insurance Manager. Currently assistant to Insurance Manager of large oil company. Graduate of Columbia University, Degree in Economics. Age 30. Married. Responsibilities include administering domestic and foreign policies of company and all phases of corporate insurance management. (Address — ASIM - 35)

Instructor of Insurance at one of the universities located in New York City wishes position in corporate insurance department. Experienced in life insurance, principles and practices of insurance and insurance law. Consultant on Study of Workmen's Compensation with Commerce and Industry Association of New York. Age 34. Married. College degrees. (Address — ASIM - 36)

* * *

Controller of Agency Operations in various overseas territories, desires position in the United States in corporate insurance field. Age 43. Married. Qualifications and experience particularly suitable to field of corporate insurance management, where wide insurance experience and ability to organize can be effectively employed. (Address — ASIM - 37)

* * *

Insurance Manager or Assistant Insurance Manager. 35 years old, attorney, licensed in Texas and Iowa, CPCU, formerly Claims Manager for one of the oldest and most highly respected stock companies, now managing partner in Dallas Agency, desires position as insurance manager or assistant. Dallas area preferred but would relocate. (Address — ASIM - 38)

* * *

Risk Manager. Qualified Risk Manager seeks a position in the corporate insurance field. Twenty years experience in general insurance and management. Age 37. CPCU. Currently assistant in world-wide program. Prefer mid-west location but will relocate contingent upon opportunity. (Address — ASIM - 39)

* * *

Insurance and Safety Executive. Experienced as Manager of Engineering Department of several brokerage companies. Account work encompasses presenting of all types of coverage to the various insureds, the negotiation and placing with underwriters, handling of all claims settlements and retrospective adjustments. Supervision of all fire and casualty engineering on accounts. Wishes position as Corporate Insurance Manager. Highly recommended and well qualified. (Address — ASIM - 40)

CHAPTER DIRECTORY

AMERICAN SOCIETY OF INSURANCE MANAGEMENT

CENTRAL ILLINOIS INSURANCE MANAGERS ASSOCIATION

Meetings—2nd Thursday of each month, Bloomington, Illinois. Dinner, 6:30 P.M.
President—D. W. Covey, LeTourneau-Westinghouse Co., Peoria, Ill.
Vice-Pres.—Gehl Tucker, A. E. Staley Mfg. Co., Decatur, Ill.
Secy.-Treas.—K. K. Schroeder, A. E. Staley Mfg. Co.

CHICAGO CHAPTER

Meetings—3rd Thursday of each month. September through May. Dinner, 6:00 P.M.
President—C. Henry Austin, Standard Oil Company (Indiana), Chicago
Vice-Pres.—Casimir Z. Greenley, International Minerals & Chemicals Corp., Chicago
Treasurer—G. J. Burns, Continental Ill. National Bank & Trust, Chicago
Secretary—Ann Auerbach, Goldblatt Bros., Inc., 333 South State St., Chicago 4, Illinois

CINCINNATI CHAPTER

Meetings—1st Wednesday each month, except July and August. Luncheon, 12:00 Noon.
President—Lloyd R. Everhard, Trailmobile Inc., Cincinnati
Vice-Pres.—Thomas N. Fisher, Fifth Third Union Trust Co., Cincinnati
Treasurer—A. L. Benjamin, The Cincinnati Gas & Electric Co., Cincinnati
Asst. Treas.—Paul K. Dykes, Ohio River Company, Cincinnati
Secretary—A. J. Haberer, The Proctor & Gamble Company, Gwynne Building, Cincinnati 1, Ohio

DALLAS-FORT WORTH CHAPTER

Meetings—3rd Thursday each month. Luncheon, 12:00 Noon
President—W. F. Shrimpton, Temco Aircraft Corp., Dallas
Vice-Pres.—D. C. Morris, Chance-Vought Aircraft Inc., Dallas
Treasurer—T. T. Redington, Jr., Dresser Industries, Inc., Dallas
Secretary—Miss Annette M. Johnson, The Murray Company, 3200 Canton Street, Dallas, Texas

DELAWARE VALLEY CHAPTER

Meetings—3rd Monday each month. Dinner, 6:30 P.M.
President—Frank W. Pennartz, Food Fair Stores, Inc., Philadelphia
Vice-Pres.—F. Walter Norcross, The Budd Company, Philadelphia
Treasurer—Samuel B. Wainer, Penn Fruit Co., Philadelphia
Asst. Secy.—Charles R. Garton, Atlantic City Electric Company, Atlantic City, N. J.
Asst. Treas.—David Day, R. M. Hollingshead Corporation, Camden, N. J.
Secretary—Harry R. Sage, Mutual Rendering Company, Inc., Ontario St. & Delaware River, Philadelphia 34, Penna.

INSURANCE BUYERS ASSOCIATION OF DETROIT

Meetings—3rd Wednesday each month. Dinner, 6:00 P.M.
President—R. H. French, Michigan Wisconsin Pipe Line Company, Detroit
Vice Pres.—W. A. Johnston, Chrysler Corporation, Detroit
Treasurer—E. D. Damon, Parke, Davis & Company, Detroit
ASIM Rep.—E. F. Neubecker, Burroughs Corporation, Detroit
Secretary—F. L. Kiernan, Michigan Consolidated Gas Company 415 Clifford St. Detroit 26, Michigan

HOUSTON AREA CHAPTER

Meetings—2nd Wednesday each month. Luncheon, 11:30 A.M.
President—R. T. Effinger, Jr., Reed Roller Bit Company, Houston
Vice-Pres.—Jack Campbell, Tennessee Gas Transmission Co., Houston
Treasurer—John Wechsler, Eastern States Petroleum Co., Houston
Secretary—R. C. Lee, Sheffield Steel Division, Armco Steel Corporation P.O. Box 3129, Houston, Texas

MARYLAND CHAPTER

Meetings—3rd Thursday each month at 6:30 P.M. Sept.-June
President—Robert C. Colbert, National Brewing Company, Baltimore
Vice-Pres.—B. L. Beninghove, Maryland Shipbuilding & Drydock Co., Baltimore
Secy.-Treas.—Miss Marion E. Bower, The Davison Chemical Corp. 101 North Charles St. Baltimore 1, Md.

MINNESOTA CHAPTER

Meetings—4th Thursday of each month. Dinner, 6:30 P.M.
President—K. N. Cervin, Minneapolis-Moline Co., Minneapolis
Vice Pres.—E. G. Chambers, Minnesota Mining and Manufacturing Co., St. Paul
Administrative Secy.—Lillian K. Polzin, 722 Second Ave. South, Minneapolis 2, Minnesota
Secy.-Treas.—Julian Mageli, Nash Finch Company 3115 West Lake Street, Minneapolis 16, Minn.

NEW YORK CHAPTER

Meetings—4th Thursday each month, except July and August. Luncheon, 12:20 P.M.
President—W. D. McGuinness, Port of New York Authority, N. Y. C.
1st Vice-Pres.—H. Stanley Goodwin, McKesson & Robbins, Inc., New York
2nd Vice-Pres.—Frank Hornby, Jr., Ebasco Services Inc., New York
Treasurer—J. M. Southwick, Ethyl Corporation, New York
Secretary—Robert B. Schellerup, Union Bag & Paper Company Woolworth Building New York 7, N. Y.

NORTHERN CALIFORNIA CHAPTER

Meetings—3rd Thursday of each month. Dinner, 6:00 P.M.
President—O. A. Wees, Crown Zellerbach Corporation, San Francisco
Vice-Pres.—R. W. Humphrey, Southern Pacific Company, San Francisco
Secretary—J. A. Crockwell, Pacific Gas & Electric Company, San Francisco
Treasurer—A. E. Flieger, Bank of California, San Francisco

OREGON CHAPTER

Meetings—1st Wednesday of each month. Dinner, 6:00 P.M.
President—Arthur K. McNett, Jantzen Inc., Portland, Oregon
Vice-Pres.—Doyle Pigg, Lipman Wolfe & Co., Portland, Oregon
Secy.-Treas.—Robert S. Horning, Mail-Well Envelope Company, 2136 S.E. 7th Avenue, Portland, Oregon

SOUTHERN CALIFORNIA CHAPTER

Meetings—3rd Wednesday of each month. Dinner, 6:30 P.M.
President—Harvey Humphrey, Title Insurance & Trust Company, Los Angeles
Vice-Pres.—Erwin C. Jones, Southern California Edison Company, Los Angeles
Treasurer—Mrs. Anna A. Williams, California Bank, Los Angeles
Secretary—Earl Thompson, Security-First National Bank of Los Angeles, 561 South Spring Street, Los Angeles, Calif.

VIRGINIA-CAROLINA CHAPTER

Meetings—4th Tuesday each month except December (Check with Secretary for time and place).
President—B. M. Hulcher, Southern States Cooperative, Richmond, Va.
1st Vice-Pres.—Paul Stickler, Reynolds Metal Company, Richmond, Va.
2nd Vice-Pres.—A. Grant Whitney, Belk Stores, Inc., Charlotte, N. C.
Secy.-Treas.—Lydia S. Hammond, Miller & Rhoads, Inc., Richmond, Virginia

American Society Of Insurance Management, Inc.

"Who's Who" in Corporate Insurance Management

Roster Of Member Companies by Chapters

CENTRAL ILLINOIS

Black & Company
Caterpillar Tractor Company
Decatur Herald & Review
Funk Brothers Seed Company
Illinois Power Company
Illinois Wesleyan University
S. D. Jarvis Company
Keystone Steel & Wire Company
LeTourneau-Westinghouse Company
Mississippi Valley Structural Steel Co.
Mueller Company
Princess Peggy, Inc.
J. L. Simmons Company, Inc.
A. E. Staley Manufacturing Co.
Steak & Shake

CHICAGO

Aldens Inc.
Allis-Chalmers Manufacturing Co.
American Bakeries Company
American Marietta Company
Automatic Electric Company
Borg-Warner Corporation
Bowman Dairy Company
Brunswick-Balke-Collender Co.
Bureau of Safety
Butler Brothers
A. M. Castle & Company
The Celotex Corporation
Central Fibre Products Company
City Products Corporation
Collins Radio Company
Continental Ill. Nat'l Bank & Trust Co. of Chicago
Container Corporation of America
Crane Company
Cuneo Press, Inc.
Curtiss Candy Co.
R. R. Donnelley & Sons Co.
The Reuben H. Donnelley Corp.
Fairbanks, Morse & Company
Fansteel Metallurgical Corporation
Lloyd A. Frey Roofing Company
Goldblatt Bros., Inc.
Edward Hines Lumber Company
Inland Steel Company
International Cellucotton Products Co.
International Minerals & Chemical Corp.
Jewel Tea Co., Inc.
S. C. Johnson & Son, Inc.
Joslyn Manufacturing & Supply Corporation
Kawneer Company

Link-Belt Company
Liquid Carbonic Corp.
Magnaflux Corporation
Marshall Field & Company
The Meyercord Co.
Montgomery Ward & Company
Motorola, Inc.
National Standard Company
National Tea Company
Natural Gas Pipeline of America
Pabst Brewing Company
The Peoples Gas Light & Coke Co.
The Pullman Company
Pure Oil Company
Quaker Oats Company
A. O. Smith Corporation
Standard Oil Co. (Indiana)
Charles A. Stevens & Company
Stewart-Warner Corporation
The Tribune Company
United Air Lines, Inc.
United States Gypsum Company
Victor Chemical Works
Visking Corporation
Walgreen Drug Stores
The Willett Company
Wisconsin Electric Power Co.
Wisconsin Public Service Corporation

CINCINNATI

American Laundry Machinery Co.
Armco Steel Corporation
Bardes Corporation
Burger Brewing Company
The Philip Carey Mfg. Co.
Cincinnati Gas & Electric Co.
Cincinnati & Suburban Bell Telephone Co.
The Drackett Company
The Duriron Company, Inc.
The Eagle-Picher Company
Emery Industries, Inc.
Thomas Emery's Sons, Inc.
Federated Department Stores, Inc.
The Fifth Third Union Trust Company
The Formica Company
The Freiberg Mahogany Company
The Gardner Board & Carton Co.
The Girdler Company
The Globe Wernicke Company
Robert Gould Company
The Gruen Watch Company
The Andrew Jergens Company
The E. Kahn's Sons Company
The Kroger Company

The Lunkenheimer Company
Frank Messer & Sons, Inc.
The Metal Specialty Company
The H. H. Meyer Packing Company
The Mosler Safe Company
The Nivison Weiskopf Company
The Ohio River Company
The Procter & Gamble Company
The Provident Savings Bank & Trust Co.
Queen City Chevrolet Company
The Railway Supply & Mfg. Company
The Richardson-Taylor Globe Corp.
The Sorg Paper Co.
Toms River-Cincinnati Chemical Corp.
Trailmobile Inc.
United States Shoe Corporation
The U. S. Printing & Lithograph Co.
The George Wiedemann Brewing Co.

DALLAS-FT. WORTH

American Liberty Oil Co.
The British-American Oil Producing Company
Campbell Taggart Associated Bakeries, Inc.
Chance Vought Aircraft, Inc.
Coco-Cola Bottling Company
Collins Radio Co. (Texas Division)
Dallas Power & Light Co.
Dresser Industries, Inc.
The Frito Company
General American Oil Co. of Texas
Gifford-Hill & Co., Inc.
Intercontinental Mfg. Company, Inc.
Lone Star Gas Company
The Murray Company of Texas
Olmsted-Kirk Company
Dr. Pepper Company
Sun Oil Company
Temco Aircraft Corporation
Texas Automatic Sprinkler Corp.
The Times Herald Printing Company

DELAWARE VALLEY

American Viscose Corp.
Atlantic City Electric Company
The Atlantic Refining Company
The Budd Company
Best Markets, Inc.
Campbell Soup Company
Catalytic Construction Company
Cooks', Inc.
E. I. duPont de Nemours & Co., Inc.
Fidelity Mutual Life Insurance Co.
Food Fair Stores, Inc.
Giant Food Shopping Centre, Inc.

R. M. Hollingshead Corporation
 Keasbey & Mattison Company
 Kaiser Metal Products, Inc.
 Mathiasen's Tanker Industries, Inc.
 Mutual Rendering Company, Inc.
 Penn Fruit Company
 Penn Mutual Life Insurance Co.
 Pennsylvania Salt Mfg. Co.
 Philadelphia Electric Company
 The Philadelphia Saving Fund Society
 Philco Corp.
 Publicker Industries
 Radio Corporation of America
 Scott Paper Company
 S.K.F. Industries, Inc.
 Smith, Kline & French Laboratories
 United Engineers & Constructors, Inc.
 The United Gas Improvement Company

DETROIT

American Blower Corporation
 American Motors Corporation
 Argus Cameras, Inc.
 Bower Roller Bearing Division of
 Federal-Mogul Bower Bearings, Inc.
 Bull Dog Electric Products Company
 Burroughs Corporation
 Chrysler Corporation
 Darin & Armstrong, Inc.
 Davidson Brothers
 Detroit Gasket & Manufacturing
 Company
 Detroit Harvester Company
 The Detroit Edison Company
 Detroit Steel Corporation
 Ex-Cell-O Corporation
 Fenestra, Inc.
 Ford Motor Company
 Freuhauf Trailer Company
 Gar Wood Industries, Inc.
 The Gear Grinding Machine Company
 Goddard & Goddard Company
 The J. L. Hudson Company
 Hygrade Food Products Corporation
 F. L. Jacobs Company
 The Jam Handy Organization, Inc.
 S. S. Kresge Company
 McCord Corporation
 Michigan Consolidated Gas Company
 Michigan Wisconsin Pipe Line Co.
 Micromatic Hone Corporation
 The Murray Corporation of America
 National Bank of Detroit
 Parke Davis & Company
 Peninsular Metal Products Corp.
 Penn-Michigan Mfg. Corporation
 Pfeiffer Brewing Company
 The Udyllite Corporation
 The Upjohn Company
 Woodall Industries, Inc.
 Wyandotte Chemicals Corporation
 L. A. Young Spring & Wire Corporation

HOUSTON

Ada Oil Company
 Anderson Clayton & Company
 Baroid Sales Division of National
 Lead Co.

Continental Oil Company
 Converted Rice, Inc.
 The Dow Chemical Co.
 Drilling & Exploration Co. Inc.
 Eastern States Petroleum Co. Inc.
 Foley's
 Halliburton Oil Well Cementing Co.
 Homco
 Houston Oil Company of Texas
 Jefferson Lake Sulphur Company
 Perforating Guns Atlas Corp.
 Quintana Petroleum Corporation
 Reed Roller Bit Company
 Schlumberger Well Surveying Corp.
 Sheffield Steel Division of Armco Steel
 Corporation
 Stewart & Stevenson Services, Inc.
 Tennessee Gas Transmission Co.
 Transcontinental Gas Pipe Line Corp.
 Tuboscope Company
 Win Hawkins Drilling Company

MARYLAND

Army & Air Force Exchange Service
 The Arundel Corporation
 Baltimore Contractors, Inc.
 Cafritz Construction Co.
 W. T. Cowan, Inc.
 Crown Central Petroleum Corp.
 Crown Cork & Seal Company
 The Davison Chemical Corporation
 Greenspring Dairy, Inc.
 L. Greif & Bros., Inc.
 Gunther Brewing Co., Inc.
 The Hecht Company
 Insurance Buyers' Council
 The Glenn L. Martin Company
 Maryland Shipbuilding & Drydock Co.
 McCormick & Co., Inc.
 Merchants Terminal Corp.
 The National Brewing Co.
 Office of Naval Material
 Department of the Navy
 Olin Mathieson Chemical Corp.
 Rice's Bakery
 Safe Deposit & Trust Co. of Baltimore

MINNESOTA

Anderson Corporation
 Cargill, Incorporated
 Coca-Cola Bottling Co. of Minnesota
 The Creamette Co.
 Curtis 1000, Inc.
 Economics Laboratory, Inc.
 Fairmont Canning Company
 Faribault Woolen Mill Company
 Federal Cartridge Corporation
 First National Bank of Minneapolis
 Fitger Brewing Company
 Fullerton Lumber Company
 Gamble-Skogmo, Inc.
 M. A. Gedney Company
 General Mills, Inc.
 Green Giant Company
 Theo. Hamm Brewing Company
 Geo. A. Hormel & Co.
 Industrial Aggregate Co.
 International Milling Company

Landers-Norblom-Christenson Co.
 Land O'Lakes Creameries, Inc.
 Mayo Clinic
 McCabe Company
 Maney Bros. Mill & Elevator Co.
 Minneapolis Brewing Company
 Minneapolis-Honeywell Regulator Co.
 Minneapolis-Moline Company
 Minneapolis Star & Tribune Company
 Minnesota Mining & Manufacturing Co.
 Minnesota & Ontario Paper Co.
 Munsingwear, Inc.
 Nash-Finch Company
 The B. F. Nelson Mfg. Co.
 Northern Ordnance Inc.
 Northern States Power Company
 Northrup-King & Company
 Northwest Airlines, Inc.
 W. S. Nott Company
 Owatonna Canning Company
 Owatonna Tool Co.
 Page & Hill Company
 M. F. Patterson Dental Supply Co. of
 Minnesota
 F. H. Peavey & Company
 Pillsbury Mills, Inc.
 Queen Stove Works, Inc.
 Rayette, Inc.
 Red Owl Stores, Inc.
 Rochester Dairy Cooperative
 Russell-Miller Milling Co.
 St. Paul Terminal Warehouse Co.
 Scott-Atwater Mfg. Company
 J. L. Shiely Company
 Super Valu Stores, Inc.
 Universal Milking Machine Company
 The Webb Publishing Co.
 Waldorf Paper Products Company
 Winston Bros. Company

NEW YORK

ACF Industries, Inc.
 Allied Stores Corporation
 American Airlines
 American Brake Shoe Company
 American Broadcasting-Paramount
 Theatres, Inc.
 American Bank Note Co.
 American Can Company
 American Chicle Company
 American Cyanamid Company
 American District Telegraph Co., Inc.
 American Gas & Electric Service Co.
 American Home Products Corp.
 American Machine & Foundry Co.
 American Management Association
 American Metal Company, Ltd.
 American News Co., Inc.
 The American Oil Company
 Anaconda Company
 Anaconda Wire & Cable Company
 Arabian American Oil Company
 Associated Dry Goods Corp.
 The Babcock & Wilcox Company
 Belk Stores
 Bell Telephone Laboratories
 The Best Foods, Inc.
 Bigelow-Sanford Carpet Co., Inc.

Blades & Macaulay
 Sidney Blumenthal & Co., Inc.
 The Borden Company
 Bristol Myers Company
 Burlington Industries, Inc.
 California Oil Company
 Canada Dry Ginger Ale Co.
 John J. Casale, Inc.
 Celanese Corporation of America
 The Chase Manhattan Bank
 Cities Service Petroleum, Inc.
 Chilean Nitrate Sales Corporation
 Climax Molybdenum Company
 Coastal Oil Company
 Coats & Clark's Sales Corporation
 Colgate-Palmolive-Peet Company
 Columbian Carbon Company
 Combustion Engineering, Inc.
 Commercial Solvents Corporation
 Commonwealth Services, Inc.
 Congoleum-Nairn, Inc.
 Consolidated Cigar Corp.
 Continental Baking Company
 Continental Can Company, Inc.
 Continental Grain Company
 Corporate Advisors, Inc.
 Curtiss-Wright Corporation
 Daystrom, Inc.
 The Dime Savings Bank of Brooklyn
 Dow, Jones & Co., Inc.
 Ebasco Services Incorporated
 Thomas A. Edison, Inc.
 Joseph Dean Edwards
 El Paso Natural Gas Company
 Electrolux Corporation
 Esso Standard Oil Company
 Ethyl Corporation
 Federal Paper Board Co., Inc.
 The First National City Bank of
 New York
 The Firth Carpet Company
 Foster-Wheeler Corp
 Robert Gair Company, Inc.
 Geigy Chemical Corporation
 General Aniline & Film Corporation
 General Baking Company
 General Electric Company
 General Foods Corp.
 Gibbs & Hill, Inc.
 W. R. Grace & Company
 Great Lakes Carbon Corporation
 Guaranty Trust Company
 S. Gumpert Co., Inc.
 Hawley & Hoops
 Hess, Inc.
 Hewitt-Robins, Inc.
 Hudson Pulp & Paper Corp.
 Imperial Paper & Color Corp.
 Interchemical Corp.
 Johns-Manville Corp.
 Johnson & Johnson
 A. & M. Karagheusian, Inc.
 Kearfott Company, Inc.
 Kennecott Copper Corporation
 Knickerbocker Construction Co.
 H. Kohnstamm & Co., Inc.
 Lerner Stores Corp.
 Lever Brothers Co.
 Liggett & Myers Tobacco Co.

Lily-Tulip Cup Corp.
 Thomas J. Lipton, Inc.
 R. H. Macy & Co., Inc.
 McKesson & Robbins, Incorporated
 Manufacturers Trust Co.
 Merritt-Chapman & Scott Corp.
 Metal & Thermit Corp.
 Monsanto Chemical Company
 Philip Morris Incorporated
 Muzak Corporation
 National Biscuit Company
 National Container Corporation
 National Distillers Products Corporation
 National Starch Products, Inc.
 The Nestle Company
 J. J. Newberry Company
 New York City Housing Authority
 New York Herald-Tribune
 Olin Mathieson Chemical Corporation
 Otis Elevator Company
 Pan American World Airways, Inc.
 Panaminas Incorporated
 S. B. Penick & Co.
 Chas. Pfizer & Co., Inc.
 Pitney-Bowes, Inc.
 The Port of New York Authority
 Refined Syrups & Sugars, Inc.
 Reliance Manufacturing Company
 Republic Aviation Corporation
 Research Cottrell, Inc.
 Riegel Paper Corp.
 Seagram-Distillers Corp.
 Shell Oil Corp.
 Sperry Rand Corporation
 Sperry Gyroscope Co.
 Standard Oil Company (New Jersey)
 J. P. Stevens & Co., Inc.
 Sunshine Biscuit Company
 Sylvania Electric Products
 The Texas Company
 Tide Water Associated Oil Co.
 Union Bag-Camp Paper Corporation
 United Aircraft Corp.
 United Merchants & Manufacturers, Inc.
 United Parcel Service
 U. S. Industries, Inc.
 United States Plywood Corporation
 Universal Pictures Co., Inc.
 West Disinfecting Company
 Western Electric Company
 West Virginia Pulp & Paper Company
 Witco Chemical Company
 Worthington Corporation

NORTHERN CALIFORNIA

American Trust Company
 Guy F. Atkinson Company
 Avoset Company
 Bank of America NT & SA
 Bank of California, N.A.
 Bechtel Corporation
 California & Hawaiian Sugar Refining
 Corp. Ltd.
 California Packing Corporation
 California Self-Insurers Association
 California State Dental Association
 Coast Service Company
 Consolidated Chemical Industries, Inc.
 The Crocker-Anglo National Bank

Crown Zellerbach Corp.
 Cutter Laboratories
 Department of Finance — State of
 California
 Dinwiddie Construction Company
 The Robert Dollar Company
 The Emporium Capwell Company
 Fibreboard Products, Inc.
 The First Western Bank & Trust
 Company
 Foremost Dairies, Inc.
 Honolulu Oil Corporation
 Kaiser Companies
 Kern County Land Co.
 Lando Products, Inc.
 Lenkurt Electric Company, Inc.
 Leslie Salt Company
 Long Stores
 Matson Navigation Company
 Mund, McLaurin & Company
 Pabco Products, Inc.
 Pacific Gas & Electric Company
 The Pacific Telephone & Telegraph
 Company
 Pacific Transport Lines, Inc.
 Rheem Manufacturing Company
 Roos Bros., Inc.
 Rosenberg Bros. & Co., Inc.
 Rudiger-Lang Company
 Safeway Stores, Inc.
 Sonora Products Company
 Southern Pacific Company
 Spreckels Sugar Company
 Standard Oil Company of California
 Swinerton & Walberg Company
 Tidewater Associated Oil Company
 Transocean Air Lines
 The Union Ice Company
 Union Lumber Company
 United Air Lines, Inc.
 University of California
 Utah Construction Company
 Wells Fargo Bank
 Wilbur-Ellis Company

OREGON

The Bank of California, N.A.
 Columbia River Packers Association,
 Inc.
 Consolidated Freightways, Inc.
 Dant & Russell, Inc.
 The First National Bank of Portland
 Harbor Plywood Corporation
 HYster Company
 Industrial Air Products Co.
 Jantzen, Inc.
 Lipman Wolfe & Company
 Mail-Well Envelope Co.
 Fred Meyer, Inc.
 Oregon Pulp & Paper Company
 Portland Gas & Coke Company
 Roberts Brothers
 The United States National Bank
 West Coast Lumbermen's Association
 White Stag Manufacturing Co.
 Willamette Iron & Steel Company

SOUTHERN CALIFORNIA

American Potash & Chemical Corp.
 Baker Oil Tools, Inc.

Byron Jackson Company
 California Bank
 Carnation Company
 Consolidated Western Steel Division of
 U. S. Steel Corporation
 Douglas Aircraft Company, Inc.
 Emsco Manufacturing Company
 Farmers & Merchants National Bank
 The Flintkote Company
 (Pioneer Division)
 The Fluor Corporation, Ltd.
 Forest Lawn Company
 Garrett & Company, Inc.
 Convaire — A Division of General
 Dynamics Corporation
 Gladding, McBean & Company
 Graham Brothers, Inc.
 Griffith Company
 Hammond Lumber Company
 The Alfred Hart Distilleries, Inc.
 Hughes Aircraft Company
 Kaiser Steel Corporation
 Lane-Wells Company
 Lockheed Aircraft Corp.
 North American Aviation, Inc.
 Northrop Aircraft, Inc.
 The McCulloch Motors Corp.
 Marquardt Aircraft Co.
 The May Department Stores Co.
 Metropolitan Water District of
 Southern California
 Mission Appliance Corp.
 Pacific Airmotive Corporation
 Pacific Coast Borax Co. — Division of
 Borax Consolidated, Ltd.
 The Ramo-Woolridge Corporation
 Richfield Oil Corporation
 Security-First National Bank of
 Los Angeles
 Southern California Edison Company
 Southern California Gas Co.
 Superior Oil Company
 Title Insurance and Trust Company
 Turco Corporation
 Union Oil Company of California

VIRGINIA-CAROLINA

American Enka Corporation
 Camp Manufacturing Company, Inc.
 Farmers Cooperative Exchanges, Inc.
 Larus & Brother Company, Inc.
 David M. Lea & Co., Inc.
 Miller & Rhoads, Inc.
 Noland Company, Inc.
 Overnite Transportation Company
 RF & P Railroad Company
 Reynolds Metals Company
 Smith-Douglass Company
 Southern States Cooperative
 Virginia Electric & Power Company

NON-CHAPTER MEMBERS

Alabama

The Ingalls Iron Works Company, Inc.
 Stockham Valves & Fittings, Inc.

The National Insurance Buyer — November 1956

Arizona

Hughes Aircraft Company

Colorado

Colorado Fuel & Iron Corp.

Connecticut

Connecticut Light & Power Co.
 The Kaman Aircraft Corporation
 The United States Time Corporation

Delaware

Diamond Ice & Coal Company

Florida

Florida Power & Light Company
 Ryder System, Inc.

Georgia

The Coca Cola Company
 West Point Manufacturing Company

Illinois

Moorman Manufacturing Company
 Sundstrand Machine Tool Company

Indiana

Insurance Audit & Inspection Co.
 The Buhner Fertilizer Co., Inc.
 Magnavox Company

Iowa

The Rath Packing Company

Kansas

The Carey Salt Company

Kentucky

The Mengel Company

Maine

Central Maine Power Company

Massachusetts

Godfrey L. Cabot, Inc.
 Simonds Saw & Steel Co.
 American Optical Company
 Massachusetts Mutual Life Insurance
 Co.
 Howard D. Johnson Company
 Betterley Associates
 Norton Company

Michigan

Hiram Walker & Sons, Inc.
 Gerber's Baby Foods
 The Dow Chemical Company

Missouri

Panhandle Eastern Pipe Line Co.
 Laclede Steel Company
 Standard Milling Company
 The Seven-Up Company
 Union Electric Company of Missouri

Nebraska

The Cudahy Packing Co.

New Mexico

Harold J. O'Neill

New York

Twin Coach Company
 Corning Glass Works

New York State Electric & Gas Corp.
 Rochester Gas & Electric Corp.
 Columbus McKinnon Chain Corp.
 Will & Baumer Candle Company

Ohio

Firestone Tire & Rubber Company
 The General Tire & Rubber Company
 Diamond Alkali Company
 The Parker Appliance Company
 E. I. Evans & Company
 Peoples Broadcasting Corporation
 The Hoover Company
 The Youngstown Sheet & Tube
 Company

Oklahoma

Oklahoma Gas & Electric Company

Pennsylvania

Titan Metal Manufacturing Co.
 Armstrong Cork Company
 G. C. Murphy Company
 Nazareth Cement Company
 Aluminum Company of America
 Dravo Corporation
 Eastern Gas & Fuel Associates
 Neville Chemical Company
 Pittsburgh Coke & Chemical Company
 Pittsburgh Consolidation Coal Company

Rhode Island

Gorham Manufacturing Company
 Grinnell Corporation
 Wanskuck Company

Tennessee

Hardwick Stove Company

Texas

The Western Company

Vermont

Central Vermont Public Service Corp.

Washington

Boeing Airplane Company
 Pacific American Fisheries, Inc.
 Weyerhaeuser Timber Company

West Virginia

Pennsylvania Glass Sand Corp.

Wisconsin

Fred Rueping Leather Company
 Chain Belt Company
 Harnischfeger Corporation
 The Kurth Malting Co.
 Nordberg Manufacturing Co.
 A. Geo. Schulz Company

ALASKA

Chugach Electric Association, Inc.

CANADA

Northern Electric Company, Ltd.
 Western Canada Breweries, Ltd.
 British Columbia Electric Railway Co.,
 Ltd.

Cincinnati Chapter Schedules Program for 1956 and 1957

SEPTEMBER 12, 1956

"The Insurance Manager's Job"

C. Henry Austin
Insurance Manager
Standard Oil Company (Indiana)
Chicago, Illinois

OCTOBER 3, 1956

*"Making Your Insurance Dollar—and Agent—
Work for You"*

Robert Walker
Regional Manager
Royal Liverpool Insurance Group
Cleveland, Ohio

NOVEMBER 7, 1956

*"Mutual Company Services Available to the
Insurance Buyer"*

Ambrose Kelly
General Counsel
Associated Factory Mutual Companies
Providence, Rhode Island

DECEMBER 12, 1956

Dinner Meeting

Guest Speaker
E. J. Goodenough
Branch Manager
The Mosler Safe Company
Hamilton, Ohio

JANUARY 9, 1957

"Proper Records Speed Loss Settlements"

A. L. Benjamin
Director of Insurance
Cincinnati Gas & Electric Company
Cincinnati, Ohio

FEBRUARY 6, 1957

*"Factors to Consider When Setting Up
An Effective Employee Benefit Plan"*

William T. Earls
Pension & Group Consultants, Inc.
Cincinnati, Ohio

MARCH 6, 1957

"Consequential Loss Exposures"

James C. O'Connor
Executive Editor
The National Underwriter Company
Cincinnati, Ohio

APRIL 3, 1957

*"Pre-engineering for Lower Rates and
Fewer Losses"*

Reuben J. Beaman, Jr.
Industrial Hygiene Engineer
The Procter & Gamble Company
Cincinnati, Ohio

MAY 1, 1957

*"Hindsight, Insight, and Foresight
in Evaluating an Exposure"*

Panel Discussion by
Cincinnati Area Insurance Managers

S. B. Adamson

L. M. Clore

C. H. Thiele

JUNE 5, 1957

"Album of Public Safety"—a film

Norman H. Davis, Jr.
Executive Engineer
Underwriters Laboratories, Inc.
Chicago, Illinois

Annual meeting for election of Officers and three Directors

Minnesota Chapter Announces 1956-1957 Program

SEPTEMBER 25, 1956

Factory Insurance Association

Showing of film on G. M. Livonia fire.

Speaker: Mr. Sig Kaye, F.I.A.

OCTOBER 23, 1956

Renewal Negotiations—Broker's Approach

How to use a broker effectively.

Speaker: Mr. A. C. Fellows, Johnson & Higgins, Inc.

NOVEMBER 27, 1956

Extra Expense & Business Interruption Insurances

What form to use and how to use both.

Speaker: Mr. Frank Howard, Assoc. Reciprocal
Exchange.

DECEMBER 18, 1956

Workshop Meeting—Problem Clinic

Current coverage problems and suggested solutions.

Speaker: Members of the Chapter.

JANUARY 22, 1957

Renewal Negotiations—Underwriter's Approach

Appraisal and treatment of insurance risks.

Speaker: Mr. John Parish—St. Paul Fire & Marine.

FEBRUARY 26, 1957

Annual Meeting—Buyers, Brokers & Agents

Each member is requested to bring a guest(s).

Speaker: Roy Dunlap—Pioneer Dispatch
Columnist

MARCH 26, 1957

Workshop Meeting—Different Insuring Methods

Discussion of the many new methods being utilized.

Speaker: Members of the Chapter.

APRIL 23, 1957

Pension & Retirement Plans

A discussion of split funding.

Speaker: Mr. John Taylor—Bankers Life
Company.

MAY 28, 1957

Auto Fleet Rating Plans

A review of the many and varied types available.

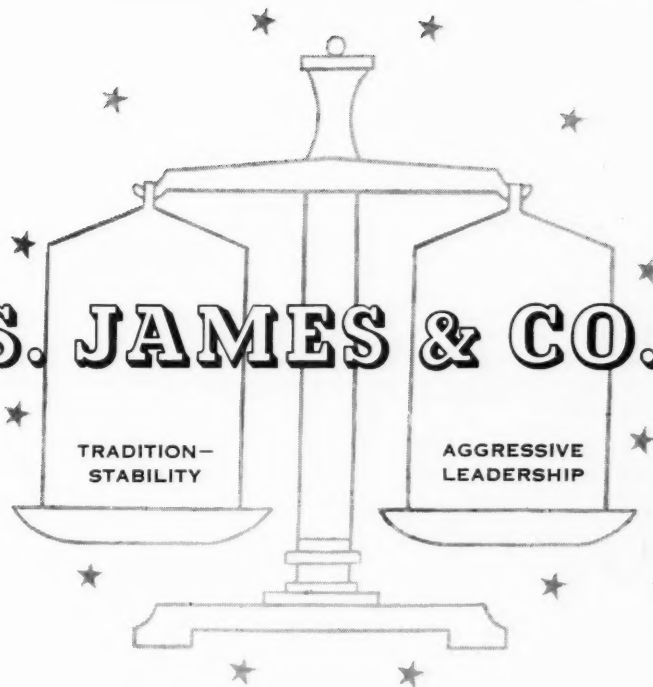
Speaker: J. H. Jamieson—Anchor Casualty
Company.

JUNE 25, 1957

Annual Golf Party—Le Seuer, Minnesota

The highlight of the season.

FRED. S. JAMES & CO.



Chicago
New York
Philadelphia
Buffalo
Pittsburgh
Minneapolis
Portland
Seattle
Los Angeles
San Francisco

London

...A fully equipped national organization
with highest quality analysis, marketing,
underwriting, and hazard control services.

... Small enough to guarantee direct personal
attention from the most experienced
working executives and technicians.

... You can know the whole team at

FRED. S. JAMES & CO.

INSURANCE BROKERS AND CONSULTANTS / *Since 1858*

GENERAL OFFICES • CHICAGO • ONE NORTH LASALLE

**Fifth Annual Meeting of
American Society of
Insurance Management, Inc.
At Chicago**

Frazier S. Wilson, president of the American Society of Insurance Management, Inc., will preside at the fifth annual meeting of ASIM, to be held at 6 P.M., November 13th, at the Chicago Athletic Association.

The meeting, which is for ASIM members only will be devoted to a review of the Society's activities, program, and finances during 1955-1956. Immediately following this portion of the program, there will be an election of Directors.

On November 14th, at luncheon at the Chicago Athletic Association, the newly elected Directors will meet to elect officers for 1956-1957 and transact any other business which may be presented.

As we go to press, reservations are coming in from all over the country and a record attendance is expected at this fifth annual meeting of ASIM.

The National Insurance Buyer will cover the entire meeting in its January 1957 issue.

**Maryland Chapter Has Panel
Discussion for its
October Meeting**

B. L. Beninghove, Assistant Insurance Manager for Maryland Shipbuilding & Drydock Company — Hodges B. Childs, Insurance Manager of Crown Cork & Seal Company — and, J. Donald Prince, Insurance Manager of The Hecht Company — were panel members on a discussion of specific areas in Workmen's Compensation Insurance at the October meeting of Maryland Chapter.

**Program of Meetings for
New York Chapter - ASIM — 1956-1957**

September 20th 1956	Open Meeting Speaker: George A. Connor, V.P., Fidelity & Deposit Co. of Maryland, Baltimore, Md. Subject: "Yard Stick for Dishonesty Exposure" (See page 14 — <i>National Insurance Buyer</i> — November)
October 25th 1956	Open Meeting Speaker: W. J. Satterfield, Jr., Chief, Insurance Section, U. S. Atomic Energy Commission, Washington, D. C. Subject: "Atomic Hazards"
November 29th 1956	Closed Meeting Speaker: David V. Palmer, V.P., Lumley, Dennant & Co., Inc., New York City Subject: "Lloyds of London"
December 20th 1956	Open Meeting Speaker: C. B. Stauffacher, V.P., Continental Can Co., New York Subject: "The Value of the Insurance Department to a Corporation"
January 24th 1957	Closed Meeting Speaker: Paul N. Seghers, Seghers & Reinhart, Attorneys at Law, New York, N. Y. Subject: "Taxes and Insurance"
February 28th 1957	Open Meeting Speaker: Orion M. Spade, Actuarial Service Corporation Subject: "Chronological Stabilization Insurance"
March 28th 1957	Open Meeting Speaker: William N. Seery, V.P., The Travelers, Hartford, Conn. Subject: "Latest Developments in Fringe Benefits"
April 25th 1957	Open Meeting Speaker: To Be Announced Subject: "Effect of Annual Wage Contracts on U & O Insurance"
May 23rd 1957	Open Meeting Speaker: Hon. Robert B. Taylor, Insurance Commissioner State of Oregon, President of National Association of Insurance Commissioners
June 27th 1957	Closed — Annual Meeting

LOYALTY GROUP

FIREMEN'S INSURANCE COMPANY OF NEWARK, NEW JERSEY

JUNE 30, 1955

ASSETS		LIABILITIES	
Cash	\$ 3,807,804.80	Reserve for Losses	\$ 16,918,000.49
Mortgage Loans on Real Estate	953,829.49	Reserve for Loss Expenses	1,516,210.00
Bonds and Stocks	155,874,898.18	Reserve for Unearned Premiums	53,802,706.05
Interest due and accrued	167,388.93	Reserve for Taxes and Expenses	2,043,389.98
Agents and Departmental Balances	4,752,931.47	Funds held under Reinsurance Treaties	8,023,156.81
Real Estate	3,086,000.00	All other Liabilities	830,582.01
Equity in Marine and Foreign Insurance Pools	8,922,570.24	Capital	15,000,000.00
All other Assets	1,447,167.79	Net Surplus	80,878,547.56
Total admitted Assets	\$179,012,592.90	Total	\$179,012,592.90

SURPLUS TO POLICYHOLDERS \$95,878,547.56

Securities carried at \$3,290,509 in the above statement are deposited as required by law.

GIRARD INSURANCE COMPANY OF PHILADELPHIA, PA.

JUNE 30, 1955

ASSETS		LIABILITIES	
Cash	\$ 324,812.04	Reserve for Losses	\$ 1,767,552.29
Mortgage Loans on Real Estate	1,587.22	Reserve for Loss Expenses	158,410.00
Bonds and Stocks	13,682,617.35	Reserve for Unearned Premiums	5,990,152.03
Interest due and accrued	37,449.56	Reserve for Taxes and Expenses	218,210.00
Agents and Departmental Balances	549,481.52	All other Liabilities	16,647.11
Real Estate	150,000.00	Capital	1,000,000.00
All other Assets	223,026.88	Net Surplus	5,818,003.14
Total admitted Assets	\$14,968,974.57	Total	\$14,968,974.57

SURPLUS TO POLICYHOLDERS \$6,818,003.14

Securities carried at \$795,921 in the above statement are deposited as required by law.

NATIONAL-BEN FRANKLIN INSURANCE COMPANY OF PITTSBURGH, PA.

JUNE 30, 1955

ASSETS		LIABILITIES	
Cash	\$ 680,023.96	Reserve for Losses	\$ 1,767,552.29
Bonds and Stocks	13,043,157.07	Reserve for Loss Expenses	158,410.00
Interest due and accrued	30,204.44	Reserve for Unearned Premiums	5,621,178.24
Agents and Departmental Balances	1,949,089.76	Reserve for Taxes and Expenses	217,010.00
Real Estate	66,000.00	All other Liabilities	143,355.35
All other Assets	73,741.45	Capital	1,000,000.00
Total admitted Assets	\$15,842,216.68	Net Surplus	6,934,710.80
		Total	\$15,842,216.68

SURPLUS TO POLICYHOLDERS \$7,934,710.80

Securities carried at \$1,822,477 in the above statement are deposited as required by law.

MILWAUKEE INSURANCE COMPANY OF MILWAUKEE, WIS.

JUNE 30, 1955

ASSETS		LIABILITIES	
Cash	\$ 414,063.82	Reserve for Losses	\$ 4,797,641.93
Mortgage Loans on Real Estate	341,125.62	Reserve for Loss Expenses	429,970.00
Bonds and Stocks	37,241,875.34	Reserve for Unearned Premiums	15,257,483.80
Interest due and accrued	64,825.93	Reserve for Taxes and Expenses	593,570.00
Agents and Departmental Balances	3,076,329.33	All other Liabilities	61,930.64
Real Estate	169,171.28	Capital	3,000,000.00
All other Assets	169,171.28	Net Surplus	17,166,794.95
Total admitted Assets	\$41,307,391.32	Total	\$41,307,391.32

SURPLUS TO POLICYHOLDERS \$20,166,794.95

Securities carried at \$2,754,310 in the above statement are deposited as required by law.

ROYAL GENERAL INSURANCE COMPANY OF CANADA

JUNE 30, 1955

ASSETS		LIABILITIES	
Cash	\$ 16,050.06	Reserve for Taxes and Expenses	\$ 3,863.32
Bonds and Stocks	404,720.00	Capital	100,000.00
Interest Due and Accrued	2,904.58	Net Surplus	350,415.93
Agents and Departmental Balances	30,804.61		
Total admitted Assets	\$454,279.25	Total	\$454,279.25

SURPLUS TO POLICYHOLDERS \$450,415.93

Securities carried at \$55,802 in the above statement are deposited as required by law.

THE METROPOLITAN CASUALTY INSURANCE COMPANY OF NEW YORK

JUNE 30, 1955

ASSETS		LIABILITIES	
Cash	\$ 1,192,957.75	Reserve for Losses	\$ 18,266,637.50
Mortgage Loans on Real Estate	52,668.63	Reserve for Loss Expenses	1,878,775.00
Bonds and Stocks	46,831,032.27	Reserve for Unearned Premiums	14,818,502.75
Interest due and accrued	129,074.23	Reserve for Taxes and Expenses	1,428,986.73
Agents and Departmental Balances	4,448,971.92	Funds held under Reinsurance Treaties	263,540.22
Equity in Marine and Foreign Insurance Pools	131,211.80	All other Liabilities	113,860.34
All other Assets	191,657.78	Capital	2,000,000.00
Total admitted Assets	\$52,977,574.38	Net Surplus	14,207,271.84
		Total	\$52,977,574.38

SURPLUS TO POLICYHOLDERS \$16,207,271.84

Securities carried at \$4,440,750 in the above statement are deposited as required by law.

COMMERCIAL INSURANCE COMPANY OF NEWARK, N. J.

JUNE 30, 1955

ASSETS		LIABILITIES	
Cash	\$ 1,029,385.81	Reserve for Losses	\$ 22,479,011.00
Mortgage Loans on Real Estate	447,012.98	Reserve for Loss Expenses	2,240,947.00
Bonds and Stocks	55,260,072.59	Reserve for Unearned Premiums	17,323,404.31
Interest due and accrued	124,846.78	Reserve for Taxes and Expenses	1,245,916.41
Agents and Departmental Balances	4,616,631.15	Funds held under Reinsurance Treaties	704,439.64
Equity in Marine and Foreign Insurance Pools	131,211.80	All other Liabilities	181,720.92
All other Assets	342,316.04	Capital	2,000,000.00
Total admitted Assets	\$61,951,477.15	Net Surplus	15,776,037.87
		Total	\$61,951,477.15

SURPLUS TO POLICYHOLDERS \$17,776,037.87

Securities carried at \$1,692,141 in the above statement are deposited as required by law.

HOME OFFICE

10 PARK PLACE, NEWARK 1, NEW JERSEY

Foreign Department

102 Maiden Lane, New York 5, New York

Pacific Department

220 Bush St., San Francisco 6, Calif.

Canadian Departments

800 Bay St., Toronto 2, Ontario

335 Homer St., Vancouver 3, B. C.

Contractual Liability

(From page 10)

ment and maintenance "in revenue operation." This meant the actual time when trains would be operated for the carrying of public passengers for operating revenue. This required the constructors of the subway and the installers of equipment to assume, limited to the period of guarantee, the liability of the City, as a common carrier while carrying passengers for hire, even though the City, or its employees or agents, may contribute the whole or major part of a condition or occurrence which creates a liability for the City).

It is not difficult to visualize the wild scramble that ensues whenever the Buyer passes on to the Seller a drastic "hold harmless" obligation, with the general contractor attempting to impose the assumed liabilities upon the sub-contractor, and the sub-contractor upon any sub-sub-contractor. Each insurance carrier from the general contractor down through all the sub-contractors wrestles with the possibilities of loss, upon whom these should be imposed, and how much premium is required.

Is "Hold Harmless" a Vicious Circle?

Many contend that the race between Buyer and Seller to cover all possible uncertainties and contingencies and to shift advantages and disadvantages may, if we are not careful, be won by the dark horse, confusion. Clauses in quotations, counterclauses in orders or contracts and repudiating or conflicting clauses in the acknowledgment, leave many transactions so extremely involved that they complicate and endanger the various parties' insurance protection.

Some want to cut out the jockeying for preferred position through contract clauses; let everyone accept his own responsibilities. Others claim the attempts to cover exceptional situations are what cause the unfairness and confusion; the next fellow makes the *exceptional terms* his "standard," and 'round it goes.

It has been stated that a continuation of the practice of imposing "hold harmless" agreements on

Sellers will undoubtedly induce an extension of the practice and will result in the imposition of similar agreements on Buyers by their customers. A vicious circle will be produced, the result of which is only to add unnecessary burdens on business organizations and will involve additional and unnecessary increases in insurance costs. Ultimately, this expense will be added to the price of products, and the vicious circle is joined.

On the other hand, the wide acceptance of the use of "Hold Harmless" clauses would indicate that they must have some merits and advantages. We will attempt to submit the basic philosophy of opposing viewpoints compiled from insurance, purchasing, management and trade associations in the development of two schools of thought:

1. "Hold Harmless" is a vicious circle, neither justifiable or necessary; and, therefore, all such clauses should be eradicated from use in all contracts.

2. "Hold Harmless" is not a vicious circle when used under circumstances which are an absolute necessity or a necessary expedient.

The Case Against "Hold Harmless"—A Vicious Circle

No financial responsibility guaranteed.

The Seller's guarantee is worthless unless the Seller has the financial means to see it through. Many Sellers are entirely uninsured for such contractual risks and are, therefore, unable to pay. Those who are able to pay (whether through insurance or from their own funds) will withhold settlement until their liability is established by litigation.

2. Delay in the determination of liability and time of final settlement destroys its value.

In order to recover any loss from the Seller, the Buyer must be in a position to prove the exact amount to which he is entitled. Where the Buyer's claim is based on loss incurred as a result of bodily injuries to an employee or a third party, he cannot determine the full extent of his loss until an official award is made to the injured person. If the

latter is an employee, he or his dependents are presumably entitled to workmen's compensation, in which case the aggregate compensation eventually paid will depend upon the degree of disability and the length of time indemnity continues, which may be many years. Also, the injured employee or his dependents may start a common law action for both separate and larger damages than workmen's compensation. If the injured person is not an employee, he too will sue for damages. In either case, the amount of damages, unless agreed on by compromise, cannot be fixed until final judgment is entered in the proper court, and this may not be closed for several years.

In brief, by the time the Buyer is in a position to prove how much the Seller is liable for, the Seller may be out of business, or the claim against him may be outlawed.

3. Invalidity of "Hold Harmless" Clauses

There is considerable doubt respecting the validity of "hold harmless" clauses that place the Seller in the position of an insurer in violation of both the insurance laws and corportion laws of practically every state in the Union. Should courts of proper authority declare such clauses void from the beginning on these grounds, the Buyers would be the victims of their own invention, unless they maintained the proper forms of insurance for their own protection instead of depending entirely on the "hold harmless" clause executed by the Seller.

Some supporting legal cases which have nullified these exculpatory clauses and pre-loss releases are briefly digested below:

(a) Seller agreed to indemnify Buyer "from and against any and all loss, damage, injury, liability and claims therefore — *howsoever caused*, resulting directly or indirectly from the performance of this agreement—."

Seller's employee was injured by negligence of Buyer and the employee recovered judgment from Buyer. Buyer's liability carrier paid judgment, and then, based on its rights of subrogation sued Seller for reimbursement under above

(More on page 38)



Whether it's a Comp case or a Group Case...

give him the benefit of 43 years of claim service experience

Have you ever considered the advantages of having your company's Workmen's Comp and Group written by the same carrier?

Both you and your employees stand to benefit through "one-carrier" coverage by Hartford. For this virtually insures more inclusive protection . . . efficient service . . . prompt payment of claims.

Forty-three years ago—in 1913—the Hartford Accident and Indemnity Company began building its country-wide network of claim service offices which now totals nearly 200.

All the wealth of knowledge our company and our staffs have gained

in 43 years of handling Workmen's Compensation is available to you on Group Insurance coverages as well.

And Hartford's "one-carrier" coverage is particularly valuable when cases come up that are hard to fit into a definite Workmen's Comp or Group category — *borderline* cases.

When you have *both* of your coverages with the Hartford, settlement of claims is smooth and uncomplicated.

You should certainly look into what Hartford Accident and Indemnity "one-carrier" coverage has to offer. It will pay you to do it soon.

Year in and year out
you'll do well with the

Hartford



Hartford Fire Insurance Company Group
Hartford Fire Insurance Company
Hartford Accident and Indemnity Company
Hartford Live Stock Insurance Company
Citizens Insurance Company of New Jersey...
Hartford 15, Connecticut
New York Underwriters Insurance Company...
New York 38, New York
Northwestern Fire & Marine Insurance Company
Twin City Fire Insurance Company...
Minneapolis 2, Minnesota

The Insurance Picture

(From page 8)

could only be made to work.

About three years ago we published a book called, "Insurance and Related Operations of the Federal Government." There were eleven of these programs. We found it necessary to use the term "related operations" because so many of them which are called "insurance" do not conform to any definition of that term which you or I could accept as correct.

The include: (1) National Service Life Insurance and allied programs; (2) marine and aviation war-risk insurance; (3) old-age and survivors insurance; (4) railroad retirement; (5) Civil Service retirement; (6) unemployment compensation; (7) federal employees compensation; (8) federal crop insurance; (9) the loss-spreading operations of the Commodity Credit Corporation; (10) insurance of banks and other depositories; and (11) insurance of loans and mortgages.

While they may conform to a broad definition of insurance such as "the spreading of the losses of the few over the many," still their operations differ widely from the private insurance principles of selective underwriting, collection of premiums which are commensurate with the amount of individual risk, and reserves calculated to enable the fund to pay out under all circumstances without outside aid.

Some of these plans still have not been tested by time and periods of adversity. The old-age and survivors insurance plan, like the old assessment plans of the fraternal societies, conceals the real cost of insurance in an aging population. The plan of some \$300 billions short of having the legal reserves which would be required of a private life insurance company. It will be many years before the plan will reach maturity. Only then will the taxpayers of that time determine whether they will continue to pay pensions to millions of old people who didn't pay their equitable share of the cost.

Likewise, government guaran-

tees of banks, savings and loan associations and home mortgages have not been tested by any important period of economic contraction or liquidation. There is a prevalent theory that such a condition cannot recur. I hope it will not. But, all I am saying is that our systems of so-called government insurance of banks, savings and loan associations and of home mortgages have not yet been tested as our private insurance companies have been tested.

Federal Flood Insurance

To the foregoing list of government insurance plans must now be added the latest experiment—Federal Flood Insurance.

Like so many of the other programs this one was more of a political move than one aimed to render a needed and practicable service on a sound basis. The measure was introduced following the heavy floods in New England in 1955.

Hearings were held in the Banking and Currency Committees of the Senate and the House. Both the Chamber and the property insurance companies opposed the proposal. The House Committee had concluded informally that it would do nothing about the bill, that it was not feasible. Had it not been for the persistent efforts of Senator Lehman of New York, it is likely that the Senate Committee would have dropped the matter also.

But Senator Lehman became a sort of champion for the idea of flood insurance, if not for a complete coverage against disasters of all kinds. As chairman of a subcommittee, he held hearings in various parts of the country where flood damage had been particularly heavy. As a result, the Senate Banking Committee, and later the Senate, passed his bill but limited it to coverage mainly of flood or other water damage. This action put the House Banking Committee on the spot. With general indifference, except from the insurance industry and the Chamber, the bill was finally passed and signed by the President.

Now that the measure is a law,

the Housing and Home Finance Agency, has called in private insurance companies and their sales organizations and asked their help. They, in turn, have given assurance from the beginning that, if invited, they will cooperate to the utmost.

Indications are that some such pattern will be set up as in the case of the War Damage Corporation of World War II. You will recall that in that case the Corporation contracted with the private insurance companies as its agents. It allowed each of them to print its policies as they did their own and to sell them through their sales force, to collect the premiums and bank them for the account of the corporation. It allowed sales commissions and also specified percentages for company administration.

Many of you will recall that, in the case of the War Damage Corporation, the risk of enemy bombing seemed a real possibility to property owners not only on both coasts but also inland. Mortgage lenders, almost universally, required the owners to purchase the coverage. That made it virtually compulsory on some millions of properties. Great corporations, universities, owners of city skyscrapers, all bought it. Premiums collected during the first year totaled some \$250 millions. With no losses, it was deemed expedient to waive any premium for the second year's protection. Fortunately, the war ended before the loss-paying potential was tested.

In the debate over the flood insurance bill, the War Damage Corporation was cited as a successful and comparable venture.

There is a vast amount of data available in such offices as the Army Engineers and the Coast and Geodetic Survey as to the heights attained by floods and the amounts of damage done in practically all of the important river basins of the country. It will be a great undertaking to assemble this data and to try to translate it into terms which are usable, to establish a system of rate classifications or a

(More on page 35)

The Insurance Picture

(From page 34)

rating schedule, and then to assign values so as to produce premiums for specific properties.

But, even after all of the figures and the engineers' maps have been studied, the system, if it is to function at all, must come up with a very simple rate schedule. The law requires rates to meet two tests, first, they must be low enough to be salable to property owners over a wide area. Second, they should be high enough to cover the estimated loss cost or at least 60 percent of it, for the law provides that the government will pay 40 percent, plus the entire administrative expense.

You men know very well that under a voluntary system of insurance, rates must be closely related to the hazard for each individual risk. If not, you get an adverse selection. Those risks where the hazard is low, won't buy it while the high-hazard risks will flock in. The fund will be loaded with bad risks at low rates.

You also know how long it takes, even in an old established business like fire insurance, to launch a new company, to assemble a home office staff, to attract agencies, then put enough good business on the books to make the company into a going concern. It's a matter of years at best.

But here we have a government agency which has been handed the task of going into an untried kind of underwriting. Some of the best minds in the property insurance field told Congress it couldn't be written successfully on a voluntary basis. There are no trained men to hire away from another company. There is no underwriting experience, no policies, or forms of any kind and no body of legal decisions to serve as a guide in making loss adjustments.

State fire insurance rating organizations may be used to compile the available flood information, establish a system of rate classifications, possibly a simple rating schedule for the larger properties.

The law merely authorizes the government to go into the flood insurance business, but up to now, nobody has shown how it can be done successfully. No one has any experience.

Ordinary prudence would seem to indicate the wisdom of starting in perhaps three or four limited areas to try out the sale of policies. The first floods will bring experience. They will show some of the loss adjustment problems, and will indicate the next steps to be taken, if any. If heavy losses of taxpayers' money are to be avoided experimentation should proceed at a slow pace with careful selection of un-

derwriting areas and of risks.

Federal Crop Insurance

The Federal Crop Insurance Corporation, starting in 1938 insuring a single crop, early expanded into all-risk insurance of wheat, cotton, flax, corn, tobacco and beans in 2,500 counties. Its rates were produced by conjecture and without due regard for underwriting principles. By 1946—in eight years—it had suffered underwriting losses of \$73,000,000 out of its \$100,000,000 capital.

These results brought congressional action. The law was amended to cut back the Corporation's underwriting authority. Its territory was drastically curtailed, and experienced underwriting personnel from private insurance was brought into the management.

The losses on the crop insurance experiment, including administrative expenses, have cost the taxpayers nearly \$200,000,000.

Other Federal Insurance Problems

Now let me just briefly comment on several insurance developments in Washington during the last session of Congress which you will hear more about in the year ahead.

The progress of the Federal Trade Commission's proceedings against a number of insurance companies alleging false and mislead-

(More on page 36)

R. C. RATHBONE & SON

Incorporated

ESTABLISHED 1853

INSURANCE BROKERS

120 WALL STREET, NEW YORK 5, NEW YORK

REPRESENTED IN PRINCIPAL CITIES

TELEPHONE: HAnover 2-7150

CABLE ADDRESS: RATHSON

103rd Year Of Placing Insurance For Many Leading Enterprises

The Insurance Picture

(From page 35)

ing advertising is being watched with great interest by every segment of the insurance industry. Sure, advertising copy should always be accurate and violators should be penalized. But the important issue in this case, as you well know, is the extent of authority conferred by Congress on the Federal Trade Commission under Public Law 15. That authority is being contested in varying ways by different companies.

The major interest arises out of a novel and startling doctrine advanced by a 3 to 2 decision by the Commission in the American Hospital and Life Insurance Company case. It held that those aspects of insurance which are exclusively in interstate commerce cannot be "regulated by state law" since that is the constitutional province of the federal government.

Commissioner Lowell Mason supplemented his dissenting opinion adding: "In my opinion, if the rationale on which the majority bases its decision in this case stands, it must of necessity follow that the federal government has almost unlimited control over the management of the insurance business."

It has been a foregone conclusion ever since the passage of Public Law 15 that some day the Supreme Court must rule on the meaning of the phrase "regulated by state law." That issue apparently is on its way to be tested in this case.

The attempt of the Department of Labor to put out a "model" workmen's compensation bill was perhaps indicative of a gathering pressure to expand the concept of an employer's responsibility to his employees to include non-occupational as well as occupational hazards and also to push up the level of benefits. The Senate Appropriations Committee took note of the strong opposition from the National Chamber and others, deleted the new appropriation for this project and suggested that it be dropped.

The increase of benefits under the Longshoremen's Compensation Act was substantial and it seems probable will have an important effect

in setting a pattern for state legislation.

A proposal to provide federal indemnity for builders and operators of commercial atomic power facilities against liabilities in excess of available insurance protection, filed to pass in the final rush of the session. This issue will certainly be revived next year and it seems probable that such federal indemnity will be authorized.

A proposed government self-insurance fund was killed. It would have handled insurable losses on properties held by the Federal Housing Commissioner after foreclosure. The proposal would have transferred to the federal government, insurance which has been handled by private companies and agents for more than 18 years.

The need for some regulation of union welfare funds has brought us close to federal regulation of the handling of the billions of dollars going annually into pension funds.

These are a few of the specific insurance issues dealt with by the last Congress. There is an increasing insurance consciousness in Washington both in Congress and in the federal departments and agencies.

These are some of the symptoms which should warn us all to be constantly on the alert. We need to watch the flow of these proposals and be prepared to make our views heard and felt by our lawmakers.

How the U. S. Chamber of Commerce Serves

Now, if you will bear with me for just a couple of minutes more, I'd like to mention very briefly the way the Chamber and its Insurance Department in particular, is serving your interests in its work of educating the public, members of Congress and the executive branch of government.

Take a single example—the fight against socialized medicine. It became apparent some years ago that a positive approach was necessary to supplement our opposition to bills in Congress. The Chamber's contention was that private voluntary insurance could do the job. Government compulsion was un-

necessary. We initiated several steps.

We commenced an annual survey of the extent to which voluntary insurance was already providing health and accident coverage under individual policies. The group insurance figures were already available. The total figures gave a satisfactory story. They looked good. Each year, as they were published, they showed more and more persons protected.

Next we published a 175-page book called "A Look at Modern Health Insurance." Each chapter was written by a national authority on his phase of the business. It told the full story of the voluntary health and accident insurance machinery and how it serves the public need. It is a persuasive story.

The preparation of the book uncovered the fact that an interesting experiment was being made in the writing of what has since become known as "major medical expense insurance." The coverage was written by the Liberty Mutual on a select group of General Electric executives. The Chamber published the story giving details of the coverage and its underwriting results.

The pamphlet was widely distributed within and outside the insurance industry. It set the underwriters to thinking and gave them some important guidance. Other companies commenced experimenting. Today major medical is no longer an experiment. Recently the Chamber has published a new pamphlet describing the latest developments in major medical, again authored by the best authorities in the business.

It is now common knowledge that more than 110 million persons have some voluntary health insurance protection, that the number is increasing rapidly and that the insurers are improving their coverages as fast as they gain experience. The demand for a system of national compulsory health insurance has largely disappeared.

I mention these few facts as an example of a success story in public education in which the Chamber

(More on page 37)

The Insurance Picture

(From page 36)

and the insurance industry have had a part.

Again following the positive approach idea, the Chamber has started a long-range program to turn people's thinking more toward planning for their own retirement and thinking less about getting increased government social security.

The first step was to bring out a booklet written for distribution to all employed persons, entitled, "Look Forward to Your Retirement." Already more than 200,000 copies have been placed in eager hands. It has shown clearly that, given some encouragement and freedom to act, most people would rather do their own planning than to lean on government.

The Chamber publishes each year an analysis of state workmen's compensation laws that is used in every state and in Canada. It serves as a guide and educational document in considering new legislation as well as in the administration of present laws.

In the work of public education on subjects affecting our economic and social system, one thing stands out in my thinking. The great majority of people understand and value their heritage of individual freedom. They want to keep and protect it. They welcome any information which points out a mistaken trend or a wrong step and indicates the right way, and they are quick to respond by making their views known.

Public opinion, thank heaven, is still in control in our legislative process. The work of studying the issues and the trends and making public the facts is an important and a rewarding one. It cautions us all to be alert and to be vocal. If we will do those simple things we will retain our heritage of basic freedoms and our free way of life for ourselves and for our children.

The best counsel I can give is the advice a friend wrote to a young man who had just been promoted: "Keep on doing what it took to get started."

—John L. McCaffrey,
International Harvester

A Lawyer or a Mechanic?

You don't have any problem deciding which one you need when your motor's skipping. And it's just as simple when it comes to selecting a company to handle the fire, boiler, and machinery insurance of your industrial plant. You want successful specialists in these fields, and in this case you can rely on our two mutual companies — which have a combined total of over two hundred years' experience. Among the features which cause a constantly expanding list of insureds to place their confidence in us are:

- Our continuous program of laboratory research and field investigation.
- Our regular inspections by a corps of highly qualified engineers.
- Our speedy and efficient service made possible by district and branch offices in 30 major cities of the United States and Canada.

BOSTON MANUFACTURERS MUTUAL

and

MUTUAL BOILER AND MACHINERY

Insurance Companies

Marshall B. Dalton, President

225 Wyman Street

Waltham 54, Massachusetts

Contractual Liability

(From page 32)

quoted agreement. The trial court denied recovery on the grounds that even though the "hold harmless" agreement included any claim "howsoever caused," such language did not include a claim caused by the negligence of the Buyer. Said the Court:

"The provisions of a contract relieving one of the parties thereto from liability for his or its own negligence should be *clear and explicit*. While it is true that the language used in the quoted provision of the contract before us, that the agent shall hold the company 'harmless from all claims, suits, and liabilities of every character whatsoever and howsoever arising from the existence or use of the equipment at said station,' is broad and comprehensive, it is, as stated by the court below, provocative of some doubt. The defendant itself wrote the provision into the contract for its own benefits. It could have plainly stated, if such was the understanding of the parties, that the plaintiff agreed to relieve it in the matter from all liability for its own negligence. As it did not do so, we resolve all doubt, as we should, in favor of the plaintiff, and hold that it was not the intent of the parties to give to the contract as written the effect claimed by the company."

(Pacific Indemnity Co. v. Calif. Electric Works, 29 CA2 260, 84 P2 313)

(b) The District Court of Appeal held that a release "for any damage sustained in the use of said merchandise and/or equipment" did not serve to release the licensor (supplier) from liability for injuries received by the licensee while using the equipment, which injuries resulted from the negligence of the licensor. In so holding, the court said:

"Except where discountenanced by public policy or some statutory inhibition, a party may contract to absolve himself from liability for negligence; the law, however, looks with disfavor on such attempts to avoid liability or secure exemption from one's personal negligence; and

construes such proceedings strictly against the person relying on them, especially when he is the author of the document; to be sufficient as an exculpatory provision against one's own negligence, the party seeking to rely thereon must select words or terms *clearly and explicitly* expressing that this was the intent of the parties; and that seemingly broad language will not be isolated from its context and will be read with due regard to the maxim of strict construction."

Sproul v. Cuddy, 131 ACA 124, 280 P2 158)

(c) Section 1688 of the California Civil Code provides:

"All contracts which have for their object, directly or indirectly, to exempt anyone from responsibility for his own fraud, or willful injury to the person or property of another, or violation of law, whether willful or negligent, are against the policy of the law."

(d) In the case of Finnegan v. Royal Realty Co., 35 C2 409, 218 P2 17, the California Supreme Court held that a landlord could not delegate to a tenant or anyone else the duties imposed upon him by the building code with respect to safety requirements in the construction of a building.

(e) Some states have legislated against the use of "hold harmless" agreements as illegal in leases or other agreements relating to real property, holding that indemnification is deemed to be against public policy and void.

In view of the fact that courts themselves overrule or modify previous decisions and announce new rules, it is not infrequent that language which seems quite clear to a layman has an entirely different meaning to a court. Buyers should remember they are Sellers too. If they persist in extracting a "hold harmless" clause agreement from every concern from which they purchase anything, they are merely educating Sellers to adopt the same tactics when they are in the market as Buyers; and in due course, all concerns will be presumed to be acting as insurers under an assortment of "hold harmless" clauses

that are as bewildering as they are unreasonable.

4. Insurance vs. "Hold Harmless"

If both Buyers and Sellers will simply agree to each assume full responsibilities for their own obligations according to law, and to each rely on their own insurance protection, the necessity for any sort of "hold harmless" clause (except possibly one covering patent infringement) will instantly cease.

It is recognized that Buyers have a perfect right to, and should, require Sellers to maintain adequate insurance, and to furnish satisfactory evidence that such coverage is in force in responsible companies. This precaution must be taken because if the Seller is not properly insured, the Buyer may possibly inherit losses for which the former would normally be liable under the law.

Reasoning from the standpoint that each business should assume its own responsibilities under the law with respect to liability claims, and that proper and adequate protection is available through the purchase of workmen's compensation and public liability insurance policies, it is clear that no real need exists for "hold harmless" agreements.

5. "Hold Harmless" Pyramids Cost

A shifting of any portion of liabilities to Sellers does not reduce premiums Buyers are required to pay under their policies, but forces Sellers to buy additional insurance and results in an unnecessary and burdensome duplication of insurance protection. "Hold Harmless" clauses are a medium of pyramiding the aggregate cost of insurance to protect all parties against the same exposures or hazards.

Summary

It is submitted that the practice of incorporating "hold harmless" clauses in contracts is causing great confusion, and also needless expense, without accomplishing the real purpose that it was intended to accomplish. In other words, such agreements do not afford Buyers the protection that they need; in

(More on page 40)

The Insurance Manager's Job

(From page 20)

of insurance coverage to his management in understandable lay language.

Until such time as we can conclusively prove to management that our approach to the risk problems of our company has included all of the steps I have mentioned; until each study we make is adequately supported by sound engineering, actuarial and underwriting approach; until we depend upon our own skills rather than those of the insurance companies or the insurance brokers; until we actually operate as risk managers and not as insurance purchasing agents—we will not deserve the title of Risk Manager, nor will we truly merit recognition as professional men.

As Dr. Wayne Snider, Professor of Insurance at Illinois Wesleyan University, a Huebner Fellow at the Wharton School of Business of the University of Pennsylvania, and an honorary member of ASIM,

told a group of us in Chicago, changing the name of our organization from The National Insurance Buyers Association to The American Society of Insurance Managers is commendable in its purpose, but it is naive to believe that this is more than a small step in achieving professional recognition. A profession must be established by the acclamation of the public (or our management) rather than by the proclamation of its members.

* * *

We all recognize that one man, to personally accomplish all of the steps I have outlined as the approach to a risk, would constitute a one-man baseball team. The manager should, if the size and geographic spread of his company justifies it, have an integrated department, composed of qualified insurance technicians.

If his budget is not sufficient to permit him to hire professionally trained and recognized assistants, he should seek the services of consultants who have earned unques-

tioned reputation for integrity and ability.

These consultants should be independent specialists; actuaries, engineers and analysts. If we seek an independent, realistic viewpoint, the most logical source will be individuals whose income is not tied to our loss ratio; individuals who can add to their stature as qualified technicians the extra qualifications of true neutrality.

How many of us have made a recent evaluation of our records, balancing what we have versus what we need? Are we maintaining relatively useless information against the day our chief executive asks "How much did that 1938 compensation case in Walla Walla cost?" Unless we are maintaining our compensation losses cross-filed in four or five directions, we aren't going to be able to give an exact answer immediately. Better to weed out the "dead wood" in our records—better to have a complete picture of current trends—better that we have a realistic grasp of current
(More on page 45)

In Your Service

Among the many functions of a competent insurance agency is the knowledge of insurance markets — where to secure the broadest coverage in financially sound companies at minimum cost.

We pride ourselves, as do insurance buyers, on our ability to keep informed of the ever-changing insurance source of supply.

If you have a problem, we believe one of our specialists can help solve it.

BYRNES-McCAFFREY, INC.

Detroit

Chicago

Contractual Liability

(From page 38)

fact, the kind of protection needed can only be supplied by adequate, properly written insurance under which the liabilities of each party are covered independently. Inasmuch as practically all business concerns maintain their insurance, it is clearly absurd for them to complicate and endanger the protection furnished by such coverage by accepting or demanding "hold harmless" clauses.

The imposition of Buyers' liabilities on Sellers is considered to be unfair and unreasonable. A fair business policy should provide that each business organization be responsible for the conduct of its individual enterprise and assume all liabilities which may be imposed on it under the law in connection therewith, with respect to bodily injury to persons or damage to property.

The Case For "Hold Harmless"—As An Absolute Necessity Or Necessary Expedient

1. "Self-Insurers" need indemnification

Railroads, municipalities, public utilities and other large self-insureds (in whole or in part) need the medium of indemnification.

It is acknowledged that the Seller is required to furnish insurance as well as the material or service that is contracted for; however, this is no different than requiring insurance to be arranged as additional insured under the Seller's policy, except that there are fewer restrictions in a "hold harmless" clause than appear in an insurance policy; i.e., specific exclusions, requirement of notification of loss, property damage limitations, limits of liability, aggregate limits, etc.

2. "Hold Harmless" is an Absolute Necessity

There are forms of ordinances prevailing in many cities which require for certain hazardous work that each of the parties to the contract (owner, general contractor and sub-contractor) have an identical statutory liability, no matter

who does the work, and this without regard to negligence. The sub-contractor may buy insurance to cover his liabilities created by this ordinance. The owner and general contractor will want insurance too, and it is here that the insurance carrier will hesitate until essential safeguards are effected to justify the acceptance of the risk, or to justify the use of purely "protective" liability rates.

There is no problem involved here for the carrier who insures all three parties at the same time, because the carrier will be collecting an appropriate premium from the party actually doing the work and may, therefore, insure the other two interests at mere "protective" rates. Where this arrangement can be effected, it is a simple disposition of the problem with insurance adequately meeting all requirements. But we have situations in which the owner or the general contractor, for reasons of their own, may choose not to place the insurance with the carrier covering the performance sub-contractor. The carrier for the owner and the general contractor then has a real problem, because it cannot afford to insure forthwith the liabilities of the owner and general contractor which are equal to those of the performance contractor, unless that carrier too receives a "performance" rate. Here then is a situation where a "hold harmless" clause becomes imperative for two reasons. First, it is not a hardship for the performance sub-contractor to be required to assume the liabilities of others of which he may be the sole creator. Second, if and when this is done under a sufficiently explicit "hold harmless" clause and the sub-contractor has shown clearly his ability financially or by insurance to meet those responsibilities, then it is reasonable and proper for a separate carrier to insure the owner and general contractor at mere "protective" rates, and the cost of insurance to all parties is reduced.

3. Large Buyers Need Expediency of Sellers' Indemnification

When negligence liability is caused to fall upon a Buyer (owner), not because of anything he

himself may do or fail to do, but because of an act or omission solely of another person, a situation is created in which a "hold harmless" clause is clearly indicated as a necessary expedient.

To illustrate, a Seller (contractor) fails to provide proper guards and in the darkness someone falls into an excavation. A liability has been created for the Buyer (owner), not by the Buyer, but by the failure of the Seller (contractor) to operate in a careful and prudent manner. Would it be deemed vicious at the outset to obligate the Seller (contractor) to assume the liabilities he might create for the Buyer (owner)? If it would not, what kind of obligation should have been imposed? The owner regularly carried liability insurance for his ownership, maintenance and necessary repair of the premises, but he might not wish to impose upon his own insurance company (and thereby adversely effect his loss experience and ultimate premium costs) the consequences of a liability created solely for him by another. Thus, a "hold harmless" clause is indicated. He could have required that the Seller (contractor) insure the liability of both for the duration of this job, but such insurance purchased for the Buyer (owner) would become concurrent and dual with the Buyer's own insurance, unless specifically provided to be otherwise. On the other hand, contractual liability insurance, if required by the Buyer (owner) to be purchased by the Seller (contractor), would not be concurrent or dual with the Buyer's (owner) insurance, and the owner's insurance carrier could have all the rights of the owner under the "hold harmless" clause.

This is an instance in which a "hold harmless" clause is a wholly justifiable instrument. Insurance and the cost of insurance here are incident and secondary to the principles involved.

Buyers (owners and general contractors) can and have been required to pay heavy judgment for damages arising out of the acts of Sellers (independent contractors). The legal aspects of this problem

(More on page 41)

Contractual Liability

(From page 40)

are complex, but generally a principal is liable for an injury resulting from the performance of work let by him to another:

1. Where the work is *unlawful* in itself;
2. Where the injury is caused by violation of some *absolute* (non-delegable) *duty* which the principal is bound at his peril to discharge;
3. Where damage is a *necessary consequence* of executing work in the manner provided in the contract or subsequently subscribed by the general contractor;
4. Where the performance of the work is *inherently dangerous*.

Supporting cases:

- Paltey vs. Egan, 93 N.E. 267.
Curtis vs. Kiley, 26 N.E. 421
Wright vs. Tudor City, 12 N. E. (2nd) 307
Bolyhart vs. DiMarco, et al 270 N.Y. 217

Leases

Most lessors hold that insurance required of general lessees, sub-lessees, tenants and sub-leased concessions is not an adequate or expedient substitute for a "hold harmless" clause, because:

1. In a joint liability verdict, the owner might be required to pay all.
2. Under some state statutes and city ordinances relating to property ownership involves a variety of non-delegable duties. When the owner leases his property to another, he expects the lessee to act as prudently

as would the owner himself. If the lessee does not and someone is damaged, the lessee has created a liability for the owner. Multiply the owner's risk by the number of leases in those properties and thus you multiply the chances of claims for loss from acts or omissions of those lessees and tenants.

3. The insurance rates for an owner of multiple properties are related largely to losses under his insurance. It behooves him to avoid losses created by acts of another. It is too large a task and too inexpedient to check insurance on each and every lessee for (a) compliance with limit requirements, (b) policy exclusions, (c) warranties, etc.

Sales Agreements

In today's highly competitive markets, a manufacturer will *voluntarily* offer to the distributor or consumer a guarantee of the quality of his products, and will also *voluntarily* agree to become liable for any loss or expense which may accrue to the distributor or consumer based upon the unwholesomeness or other sub-standard qualities of his products. He voluntarily offers this guarantee and agreement because it is a valuable factor in his sales promotion. There can be no objection to a self-imposed "hold harmless" clause.

The Buyer could require the Seller to furnish insurance to protect the Buyer (retailer), but it would be a terrifically burdensome undertaking to check out that every article purchased from a

washing machine down to a pin is covered by Products Liability insurance insuring both the Seller and Buyer.

Our courts are clogged with litigation and it is not uncommon for cases to be tried long after the occurrence of an accident. Anything which contributes to an immediate assumption of liability by the party who is finally responsible at law is a favorable economic factor. Many a Seller inadequately insured will not readily admit that his is the liability unless there is a "hold harmless" clause in effect. A "hold harmless" clause, imposing upon the Seller the liabilities which he should, in equity or by law, accept, eliminate between all parties questions of fact that might arise without its use, and provides for a speedy method of placing the liability at once where it belongs.

4. "Hold Harmless" Effects Economics.

To self-insurers and Buyers who qualify for special premium rate considerations (experience rating plans, or sizeable deductibles), it is highly desirable to avoid negligence losses — with particular emphasis upon those liabilities for losses which may be created for them by others.

As stated in the discussion of the necessity and expediency of "hold harmless" under Points 2 and 3 above, insurance (and the cost of insurance) as an alternate method of protection, are incident and secondary to the principles involved. In the case of "hold harmless" as a necessity, it was amply illustrated that the aggregate cost of insurance to protect all parties is greatly reduced.

CORPORATE ADVISORS, INC.

Insurance Consultants

ERNEST L. CLARK, President

Compensation on Fee Basis Only

15 William Street
New York 5, N. Y.
Tel.: Whitehall 3-0697
0698

New Jersey address:
Box 87
Summit
New Jersey

Yardstick (From page 16)

and carpenters in his own home. He ran the company cafeteria and pocketed all profits. He edited the company paper and kept all advertising receipts. Also he operated a soft-ball team, a football team and a bowling team for the benefit of the company employees. The plant accountant had been in the service of the Insured sixteen years and had been operating in the above manner over six years. The loss was discovered when a vice president in charge of production became irritated because the accountant spent so little time in his office. While going through the employees' cafeteria the vice president noticed it had a new tile floor which had not been included in the budget. This was reported to the home office and the loss discovered as the result of a thorough audit.

2. Goods on Hand or Inventory

Under this heading we include raw materials, materials in process, finished merchandise or products. Although not as frequent, these losses are just as real and must be used in determining the exposure. Many times these losses involve collusion between inside employees and outsiders. We have recently paid well over \$100,000 to a large manufacturing concern. One of its weighmasters was in collusion with some junk dealers in stealing large quantities of scrap metal. These dealers had contracts with the company to buy scrap. The scrap was hauled away in the dealers' trucks and the weighmaster conceived the idea of listing the weight of the truck over the actual weight and loaded on the truck 200 more pounds than the dealer paid for. In some instances he also permitted full loads to be taken out without putting through invoices. The weighmaster and three dealers were prosecuted criminally and found guilty.

Another loss of \$98,000 was sustained by a large aircraft corporation through an employee working in collusion with junk dealers. The weigh tickets for scrap aluminum were falsified so that the junk dealers paid for a smaller amount than they actually received. The profit to the junk dealers was split with the weighmaster.

Losses of inventory are frequent and include such items as 1,000 television sets from the warehouse; \$40,000 worth of cigarettes, which was covered up by storing dummy cartons in the warehouse; \$65,000 worth of liquor and \$30,000 worth of aspirin tablets carried away in trash cans.

3. Annual Gross Sales or Income

The third element to be considered is annual gross sales or income. Since the average period of loss is three years it is necessary to determine the frequency of income and outgo of the products sold.

In selling Honesty Insurance we frequently run into a statement by a prospective customer—"My employees do not handle much money. They only

have \$100 in their custody." The obvious answer to this is that we are not talking about the maximum money handled at any one time in selling Honesty Insurance but the exposure over a three-year period. An exposure of \$100 cash daily amounts to \$60,000 or \$70,000 over a three-year period. In the case of the plant accountant referred to above with the "big shot" complex, we are informed he only had \$1,500 cash and credit at his disposal at any one time and still was able to steal \$187,000 over a period of years.

Obviously the sum of these three elements can not be insured to value, so it is necessary to determine what percentage of each may be considered as constituting fair exposure. In answer to this we have, through trial and error, arrived at the following percentages:

20% of cash, deposits, securities, receivables, etc.

5% of goods on hand, i.e. raw materials, material in process, finished merchandise or products.

10% of annual gross sales or income.

The sum of these percentage results is called the exposure index.

The second problem, namely, of preventing the amount of coverage for larger concerns reaching astronomical penalties, was solved by providing a table which would set out the recommended minimum amount of coverage for various exposures on a curve. The table of coverages starts out at 100% of the exposure index for smaller concerns and recedes to less than 1% of the exposure index for larger concerns. This, as you can see, provides much more realistic coverage for the larger concerns. In applying this table to the 500 losses studied by the Committee, we find that 95% of all the losses would have been covered, leaving 5% only partially covered. This is a fair result and indicates the reasonableness of the table. The actual record of coverage for these losses showed that 65% were under-insured, the total amount of such under-insurance being \$1,888,000. Under the new table the total amount of under-insurance would amount to only \$200,000.

Several examples will illustrate the operations of the formula.

Contractor

(1) Total Current Assets	\$13,533,445
A—Goods on Hand	\$ 107,095
B—5% of A	\$ 5,354
C—Current Assets less Goods on Hand	\$13,426,350
D—20% of C	\$2,685,270
(2) Annual Gross Sales or Income	\$ 3,027,725
A—10% of (2)	\$ 302,772
Dishonesty Exposure Index	\$2,993,396

(More on page 47)

ABC's

(From page 7)

enough to merely call attention to a need for coverage. There still exists the fundamental concept of business that it is profitable to protect against losses which could materially affect the financial structure of the company.

To be aware of the type of protection available and its application to the company's needs calls for the Insurance Manager to know what sources to search for the type of protection acceptable to him and top management.

After determining that an acceptable protection is available, the Insurance Manager is faced with the question: "What insurance company to buy from?" — assuming, of course, that the protection is offered by more than one company. To answer this question, the Insurance Manager must obtain from the companies such information as policy coverage, exclusions, and premium costs.

When questions regarding the policies have been answered, the Insurance Manager must present to top management a summary of the information received and his own recommendations. In preparing his presentation, the Insurance Manager should ask himself: What is the best way to present this so that proper action can be taken?

In the event that self-insurance should be considered, what might be some reasons advocated for its use in the insurance program?

First of all, the existence of the risk must be determined and certain factors must also exist which make it feasible to self-insure.

Some of these are:

(1) The premium desired is unreasonable in its cost and nothing will avail to secure its reduction.

(2) The possibility of duplication of services by the company and the insurance carrier. When the company possess better safety and engineering departments than can be furnished by the carrier, then there may be a reason for self-

insuring the risk.

(3) The possibility of such high loss ratios that a commercial carrier does not wish to assume the risk. Where such a condition exists, it calls for the full force of management to bring these losses into a more acceptable ratio.

It is not practical to self-insure unless a spread of risk is present. Insurance in any form is based upon the principle that the spread of risk exists. Whenever such a condition is not present or is ignored, then the self-insurance becomes not an insurance problem, but a gamble on the possibility that the hazard will not become a loss.

A basic consideration in the matter of self-insurance is that the company considering this step must be financially sound enough to withstand the allocation of funds as a reserve against losses incurred. Unless such financial stability is present, it is not self-insurance as the risk is merely not insured.

For the true self-insured pro-
(More on page 44)

STURTEVANT OVERIN CO., INC.

Insurance Brokers

15 East 47th Street

New York 17, New York

PLaza 3-4760

Brooklyn Office

354 36th Street

Brooklyn 32, New York

STerling 8-3700

Cable Address

Overin

New York

ABC's

(From page 43)

gram the funds must actually be set aside as a reserve and available for use in payment of loss. It is a common practice of many to manage their self-insured programs on the basis of account transfers on paper without providing the actual funds. Only too often does the stark fact strike home, when the loss is incurred, that no money exists from which to pay the claim.

When a large loss ratio is being experienced, it is possible that the fund, even though actually transferred, may be completely exhausted because of the many claims against it. Some type of protection must be provided for this possibility and may be secured through purchase of excess insurance.

The company considering the use of self-insurance should have excellent protective services available. This in part may include the plant engineering departments, plant protection and safety departments. All of these must be aware of the hazards being considered and must constantly strive for a lower loss ratio. The administrative departments must be capable of processing claims with speed and accuracy. They must be able to receive reports of loss, investigate, pay losses in accordance with prescribed schedules and regulations, and be able to defend against a law suit when necessary.

In those cases where self-insurance is necessary, or is being considered, it is the Insurance Manager who must furnish the questions and answers applicable to each situation. He must have available the type of information requested by management and must base his recommendations on the risks involved and the position of the company.

We can say, then, that the "what" of corporate insurance management plays a big part in each day's work.

"Where?"

Where? Where is the place of origin of insurance programs in a

company, its administration and its service?

Its location should be in a department which is in constant touch with all the activities of the company. Since the program is developed to safeguard the company's financial interests, placement of the insurance department under a capital control portion of the company assures prompt receipt of information on matters involving the financial position.

Since the insurance program should not be one of haphazard placement of coverage, it calls for coordination throughout the departments in the company. All departments must recognize the presence of hazards affecting the company, report on them and be able to abide by decisions regarding insurance in those areas.

The Insurance Manager is the logical person to coordinate the gathering and dispensing of information concerning the insurance program. A thorough investigation should be made of the risks and a decision made to insure them or not. Should the decision be that insurance is necessary, then it is the Insurance Manager who informs management where the coverage may be obtained.

To locate anything definitely is to know where to find it—a continuing function of an Insurance Manager. Such problems as Where is the area of greatest insurance need? or Where can a particular type of policy be acquired are continually faced by the Insurance Manager.

In considering the quotations and policy specifications submitted by insurance companies, thought must be given through whom the policy will be placed. This will be influenced by whether the broker's service is advantageous or necessary in the type of coverage selected. Where the coverage is placed depends also upon the location of the service facilities of the insurance company. A convenient location usually assures prompt attention to your problems.

One of the ultimate decisions faced by the Insurance Manager: Where to purchase the desired coverage? must be answered before

any recommendation is made to management because it is an integral part of any such recommendation.

A thorough working knowledge of the types of insurance companies will aid in the selection of where the coverage is placed. In a good many cases it is natural to call on the insurance broker of your choice to handle the placement. Since brokers are expected to have better working relations with the underwriters than most of their clients, they should be able to effect very good coverage.

However, the nature of the risk at times may preclude its being placed through the brokers, since the underwriters with whom they work are unable to evaluate the risk at a premium cost satisfactory to all concerned. In this case it may be necessary to place the coverage with the insurance company direct or to self-insure.

The question of placement often revolves around the service extended by the insurance company. Good relations with the insurance carrier makes for easy settlement in cases of loss, and these are quite often the result of prompt and efficient service rendered when a problem arises. When the insurance problem is carefully evaluated and its solution answered in a manner which shows an interest in the firm asking the question, it is natural to consider this source first in the selection of an insurance carrier.

Where the coverage is placed always makes more sense when the placement of insurance brings with it good relations, good service, and good experience.

"When?"

When? The easiest time to buy insurance is before the loss occurs. This statement is not as fantastic as it might appear at first glance.

The careful and continuing studies carried on by the Insurance Manager bring to light many cases where losses may occur. To recognize the existence of those conditions and their effect on the company constitutes a large portion of the job. The ability to bring them to management's attention and to

(More on page 46)

The Insurance Manager's Job (From page 39)

problems and probable future trends, than to have a detailed account of ancient history. Growth is in the future.

Those of us who are running one-man departments may also expand our effectiveness by utilizing all of the resources of our own company.

Some of us may spend too much time on administrative details. If you are seeking certain information from another department, don't establish all of the details to be followed by them in gathering this data. True, they may appreciate your knowledge of their operations (if your instructions justify this assumption). On the other hand, a literal translation of your specifications may well produce meaningless information.

You are almost certain to get more useful information, and get it much more promptly, if you request advice and assistance from other departments, instead of specifying their duties. Most important, you should be able to devote the time you have saved to more constructive efforts — you may even find five or ten minutes a day to put your feet on the desk and think of some of the problems of risk management.

The manager's primary responsibility to himself is to acquire sufficient technical proficiency to accurately gauge the quality of his team, whether they consist of his company employees or consultants.

It is a practical impossibility for one individual to be an exposure engineer, a trained "all lines" underwriter, a life and casualty actuary, and insurance lawyer, and a financial analyst (particularly a financial analyst capable of properly evaluating schedules N P and R of the Convention Annual Statement."

It is possible, however, and essential, for the risk manager to understand the "what" and the "why" of each of these fields, if not the exact "how."

* * *

I don't imagine there is any chief executive of a corporation who pro-

claims himself to be a combination attorney, accountant, personnel relations specialist, comptroller, sales manager, production engineer and distribution manager. Yet all chief executives have a sufficient knowledge of the basic principles of each of these fields to interpret and evaluate the information furnished by the various specialists and to coordinate these recommendations into the best over-all solution of the specific problem under consideration.

This should also be the approach of the risk manager. He must have sufficient technical proficiency to understand the applicable principles of underwriting, actuarial science, exposure engineers, and insurance law. He must also be able to coordinate the activities of his specialists or consultants in these fields, and be able to develop and present to management a sound solution to the specific problem.

The local chapters and the national headquarters of our own ASIM assure us of the free exchange of new ideas, but they do not, in themselves, guarantee the development of these new ideas.

I feel that original thinking and the resultant development of new ideas are direct functions of the technical knowledge possessed by or available to the risk manager. Until the risk manager has acquired these skills or has them available, he will be primarily a follower and not a leader, and he will be a follower without the knowledge necessary to evaluate the ability of those he is following.

I submit, then, that the primary duty of the risk manager is to improve his technical proficiency, and apply that proficiency in the successful solution of the problems of his company.

As soon as you move one step up from the bottom, your effectiveness depends on your ability to reach others through the spoken or written word. This ability to express oneself is perhaps the most important of all skills a man can possess.

—Peter Bruckner in *Fortune*

ADT Executive Addresses Northern California Chapter, ASIM

Lynne Stora, Consulting Engineer for American District Telegraph Company, who has been associated with ADT in Los Angeles, New Orleans and San Francisco, was the guest speaker at the October meeting of Northern California Chapter.

Mr. Stora spoke on "The Great God Molech", who was the ancient God of Fire, to whom sacrifices were offered and he explained the relationship of Molech to insurance.

American District Telegraph Company supplies electric protection service to subscribers from coast to coast. It designs, manufactures, installs, maintains, and operates underwriters - approved systems to safeguard against loss from fire, burglary, holdup and other hazards on a central station principle.

The meeting was held at the Sheraton-Palace Hotel in San Francisco, with O. E. Wees, President of the Chapter, presiding.

Tom Glavey of N. Y. Chapter Promoted to Vice President of Chase Manhattan Bank

In terms of membership, Tom Glavey of Chase Manhattan Bank, is one of the oldest members of New York Chapter, ASIM.

Recently he was elected vice-president of Chase Manhattan Bank, New York, and is in charge of all its insurance activities. Up to this time, Mr. Glavey has served as assistant vice-president.

He is well-known to insurance people in New York and elsewhere around the country and now holds the post of chairman of the insurance and protective committee of American Bankers Association. He is also a trustee of the New York State Banker's Disability Benefits Insurance Fund and a member of the insurance committee, Atomic Industrial Forum.

Mr. Glavey is an active member of New York Chapter, ASIM, attends meetings regularly and has served on the Board of Directors and on various committees in the Chapter over his long period of membership.

ABC's

(From page 44)

get their approval for action are further factors in determining when to place the insurance.

When does it become necessary to insure a risk? The answer to this question must necessarily be qualified by the conditions attending the risk. In cases where the spread of risk is small and the chance of loss is slight, the assumption of risk by the company itself will probably be assumed.

There is also present the chance that insurance may not be available for the particular risk, or the premium for its assumption is too much for coverage obtained. When such conditions exist, the Insurance Manager must consider whether to recommend self-insurance or assumption of the risk. The choice depends in a large part on the highest probably and possible loss which might result from a particular hazard. Should losses result in very large claims or become very frequent, self-insurance with its funded reserves backed up by excess insurance might be the solution. This would seem to be a more practical approach than the assumption of the risk, when large claim losses could severely weaken the financial structure of the company.

The study of a risk may show that its losses could be such that a commercial policy would provide more adequate coverage. The decision to insure outside the company might also obtain better engineering protection and safety advice than is available within the company structure. Then, too, there may not be enough trained personnel to administer a self-insured program, or sufficient funds may not be available to set up adequate reserves.

Having compiled the facts on the risk and having determined that it will be advantageous to provide coverage through commercial sources, the Insurance Manager should carry through on obtaining coverage desired. Studying the market to see that coverage is available, obtaining quotations, summarizing them and making

recommendations to management are important phases of the Insurance Manager's work. Prompt placement of the coverage as soon as management approval is given is very necessary. In all cases the prompt securing of insurance is very vital, because losses do not happen at your convenience, and delays may be very costly.

There is another side of the "when" question — that which is concerned with action taken when a loss covered by insurance occurs. The insurance carrier should be notified promptly in all loss cases. Prompt notification shows that this is recognized as a loss, that both parties are now notified, and that some type of service is required. Thus a mutual protection system is set up for the company and the insurance carrier.

When good working harmony is established, both the insured and the insurer are more likely to respect each other. Good reporting, a good exchange of questions and answers, and a good job of trying to understand each other's problem helps to develop this close working harmony. When this is present, it is easier to settle losses and to develop more realistic policies and premiums.

Why? Why should a company carry insurance? The company is not a professional risk taker — it is in business to make and sell a product for profit. To do this the company must have physical and monetary properties for production purposes. In order to protect these without setting aside large amounts of capital assets as reserve in case of losses, the company goes to a professional risk taker, the insurance company.

The insurance company through its underwriters makes a study of the risks involved and sets a premium for which it will assume the risk. Based on the law of averages, the premium is calculated to encompass all eventualities which the underwriters think can happen, plus a fair margin of profit for assuming the risk. In those insurance premiums that the Insurance Manager feels are too heavily loaded or do not correctly take into account all particulars of the risk,

he should take action to obtain a premium more in line with the true nature of the risk. Naturally the Insurance Manager's job is to obtain the coverage which gives the best protection at an equitable rate.

Protection of the financial structure of the company is one of the prime considerations of the insurance program. Insurance is available for the coverage of most risks that the company has an insurable interest in. Securing protection against these risks so that losses will not endanger the financial structure is necessary and should be undertaken as a part of a planned program. The planning of this program demands a knowledge of the hazards, the markets for coverage, the extent of coverage, cost of coverage, and a desire by management to inaugurate and encourage continued development of policies.

The protection of the financial structure of the company through purchase of commercial insurance frees the company's capital which would have to be retained as reserves in case of losses. In this way the working capital can be increased and be available for other uses by the business. The premium cost for insurance is much less expensive than the setting aside of company reserves.

In the event that it becomes necessary for the company to self-insure or to assume a risk outright, it is important that assets be protected in case of loss. All efforts should be directed toward reducing the hazard or eliminating it entirely. When it is not possible to do either of these, then it becomes necessary to provide extra safeguards to keep losses low. The money spent on this is more than returned by the prevention of large losses that may severely strain the company's financial standing. This should be an integral part of the insurance program with plans for continuing checks and re-evaluations of the risk to keep loss ratios as low as possible.

"How?"

How? In summation the final word on the old typewriter may well be used. How does corporate

(More on page 48)

Yardstick (From page 42)

MINIMUM AMOUNT OF HONESTY INSURANCE—
\$250,000 to \$300,000

Tires, Automotive Supplies, Chemicals, etc.

(1) Total Current Assets	\$171,000,000	
A—Goods on Hand	\$48,200,000	
B—5% of A		\$ 2,410,000
C—Current Assets less Goods on Hand	\$122,800,000	
D—20% of C		\$24,560,000
(2) Annual Gross Sales or Income	\$295,700,000	
A—10% of (2)		\$29,570,000
Dishonesty Exposure Index		\$56,540,000

MINIMUM AMOUNT OF HONESTY INSURANCE—
\$1,250,000 to \$1,500,000

In applying the table it is necessary to make some adjustment for different types of concerns.

1. For concerns which perform service functions, such as transporting property of others, or which perform work on or which process the property of others or have such property in their custody, the value of such goods should be included in "Goods on Hand" total.

2. For concerns acting in representative capacity, etc. and having in their custody or control cash, securities, commercial paper or similar valuables, such values should be included in "Other Current Assets."

3. For those who act for others or who otherwise make collections or payments for others (insurance agents, for example) the annual volume of such funds passing through their hands should be included in the total figures for Gross Sales.

Although many large fidelity losses involve forgery

and forgery insurance is valuable and is recommended to supplement fidelity insurance, such forgery protection should not be relied upon as taking the place of needed Honesty Insurance.

In using the Table of Minimum Coverages it must be borne in mind that it is assumed that the prospect or Insured has a good system of internal control and audit. In any consideration of adequate amounts of Honesty Insurance it is always necessary to check into the internal operations of the Insured. Any loopholes or invitations to steal should be immediately closed. The "EMBEZZLEMENT CONTROLS For Business Enterprises" booklet contains the fundamentals of internal controls and audits. I commit it to your careful study.

In applying the Table do not be surprised at large increases in coverage over present amounts. Too many Insureds have carried minimum bond amounts and used premium as the sole guide in deciding "how much insurance?" It is necessary to face up to the problem and carry amounts of insurance that bear a relationship to the real exposure. We believe the Table of Recommended Minimum Amounts of Honesty Insurance does just this. If you can not increase your coverage to the proper amount at this time, by all means see that it is done at the earliest possible moment.

I close with a word of caution. Heretofore no generally accepted scientific formula for determining minimum amounts of Honesty Insurance has been in existence. This is no longer true. A tried and tested Table is now available. For your own peace of mind, you should make sure that sooner or later, and preferably sooner, your company carries, at least, the minimum amounts of insurance called for by the "Table."

(speech delivered before New York Chapter, ASIM,
September 20th, 1956.)

**MANUFACTURERS MUTUAL
FIRE INSURANCE COMPANY**
PROVIDENCE, RHODE ISLAND

The Oldest and Largest of the
FACTORY MUTUAL COMPANIES

**LEADERS IN BROAD COVERAGE
AT LOW COST SINCE 1835**

ABC's

(From page 46)

insurance management develop? It is the continuing use of the who, what, where, when and why theme expressed and carried out in the insurance problems which arise within the organization. Get the story, write it, present it, and then carry through with management's decisions.

Corporate insurance management is not as simple as the ABC's, but the effective solution of its problems can be sought along systematic lines. The use of who, what, where, when, and why applied to the problem establishes a line of reasoning which enables the Insurance Manager to gather the facts on the risk, evaluate them, and then be in a position to recommend a course of action.

(Written especially for the *National Insurance Buyer* by G. T. Heinrich, a charter member of Central Illinois Chapter, ASIM.)

Central Illinois Chapter

(From page 6)

The late Ray Bass, previously mentioned, was also one of the originators of Risk Research Institute which later developed into the National Insurance Buyers Association, Inc. The National Insurance Buyers Association, Inc. was organized and incorporated in the state of Illinois largely through Ray Bass' efforts. The ASIM is still incorporated under the state of Illinois.

The present officers and directors of the organization are David W. Covey, LeTourneau - Westinghouse Co., Peoria, president; R. Gehl Tucker, A. E. Staley Mfg. Co., Decatur, vice president; Kenneth K. Schroeder, A. E. Staley Mfg. Co., Decatur, secretary-treasurer; J. W. Needham, Caterpillar Tractor Co., Peoria, director; A. A. Baker, Funk Bros. Seed Co., Bloomington, director; and L. Richard Flanders, Lindsay-Schaub Newspapers, Inc., Decatur, director.

Advertisers — November 1956

(It is recommended that the services of this select list of advertisers be used whenever possible)

American Appraisal Company	12
American District Telegraph Company	1st cover
American Foreign Insurance Association	11
American International Underwriters	3rd cover
Boston Manufacturers Mutual & Mutual Boiler and Machinery Insurance Companies	37
Brown, Crosby & Co., Inc.	6
Byrnes-McCaffrey, Inc.	39
Chubb & Son	15
Connecticut General	19
Corporate Advisors, Inc.	41
Fidelity & Deposit Company	18
Hartford Accident & Indemnity Company	33
Insurance Service Association of America	17
Fred S. James & Co.	29
Johnson & Higgins	2
Loyalty Group	31
Lumbermen's Mutual Casualty Company	21
Manufacturers Mutual Fire Insurance Company	47
Marine Office of America	13
Marsh & McLennan	4th cover
North America Companies	9
R. C. Rathbone & Son	35
Rollins Burdick Hunter Co.	4
Sturtevant Overin Co., Inc.	43

Are you faced with a pension problem?

Impartial and factual counsel on your company's retirement situation is available to you through consultation with our pension and actuarial specialists. Servicing retirement programs is a *continuing* process, and ours is a *continuing* service based on years of experience with all types of pension and profit sharing plans.

We will be pleased to give you further information on this service as related to your specific situation. Please call on us.

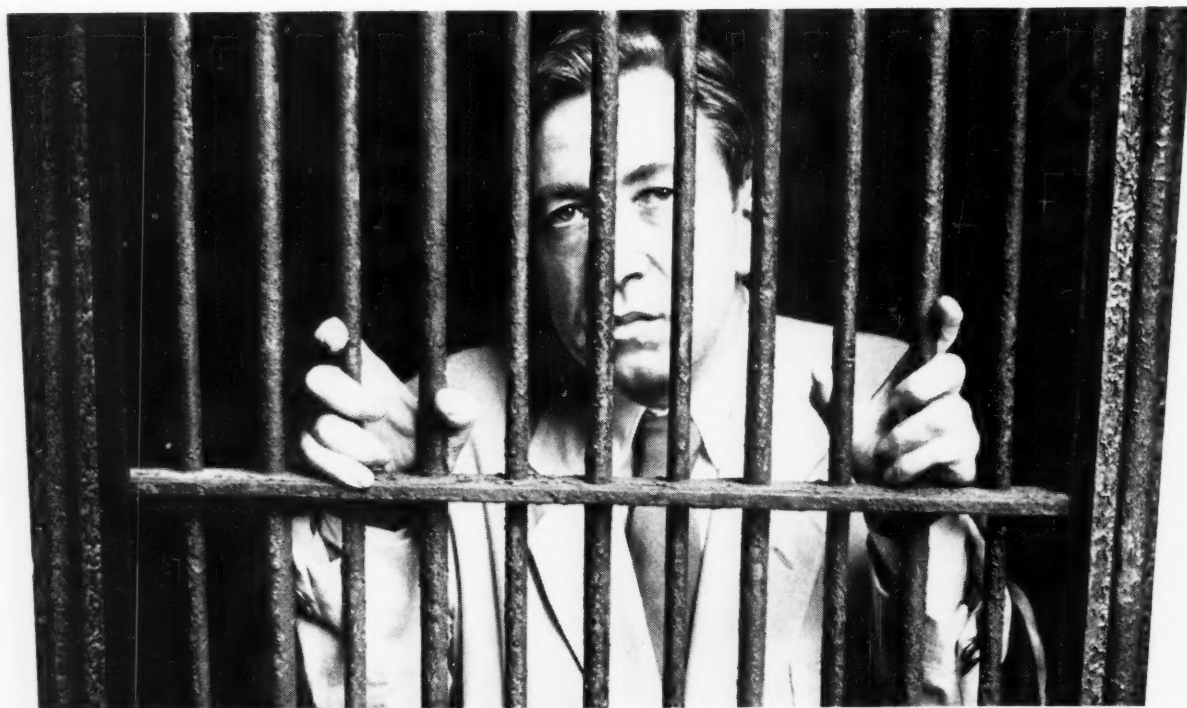
MARSH & McLENNAN
INCORPORATED

Consulting Actuaries

EMPLOYEE BENEFIT PLANS

*Chicago New York San Francisco Minneapolis Detroit Boston Los Angeles
Toronto Pittsburgh Seattle Vancouver St. Louis Indianapolis Montreal
St. Paul Duluth Portland Buffalo Atlanta Calgary Washington
Tulsa New Orleans Phoenix Milwaukee Cleveland Havana London*

Don't open until Christmas!



The mountains in the Philippines north of Manila are a mile high — the roads, *rough!* Monsoon rains cut visibility to only a few feet.

A salesman, with 300 miles to drive before nightfall grazed a native cart. He was jailed. It happened on December 23.

His frantic wire to his insurance company came when transportation was already over-booked by holiday travelers. Yet, the agent got there within a few hours and settled the claim on the spot. He had chartered a private plane to get the salesman home to Manila for Christmas!

That insurance agent was an American International Underwriters representative. AIU delivers prompt, effi-

cient, friendly service just about everywhere on earth. Policies are written in terms which provide broad coverage and still conform to the insurance laws and customs of the country concerned. Payment of claims is made in the same currency as the premium — in U. S. dollars if local regulations permit.

Financial stability is assured by the strength and security of leading insurance companies in the United States.

Take your foreign insurance problems to your regular insurance broker or agent. A phone call from him to the most convenient American International Underwriters office will place AIU at your service.



AMERICAN INTERNATIONAL UNDERWRITERS

New York	Boston	Washington	Detroit	Chicago	New Orleans
Dallas	Houston	Denver	San Francisco	Los Angeles	Seattle

W
O
L

3

C

X